

**Missouri Senate
Appropriations Committee**

**2002
ANNUAL FISCAL REPORT**

Fiscal Year 2003

**91st General Assembly
2nd Regular Session**

Senator Peter Kinder
President Pro Tem

Senator John T. Russell
Appropriations Committee Chairman



Prepared by
Senate Appropriations Committee Staff



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August 30, 2002

TO ALL SENATORS AND SENATE STAFF:

The Annual Fiscal Report contains information about recent trends in Missouri state finances, describes the actions taken by the Committee on Appropriations in 2002, and summarizes a variety of budgetary items of topical interest. It reviews the history of capital improvement appropriations, presents the FY 2003 revenue estimate, identifies major FY 2003 budget initiatives and describes how lottery and gaming proceeds are distributed. The review ranks personal income and state government per capita revenue in comparison to other states. The review also contains an analysis of tax credits and ranks Missouri's highway funding relative to other states.

The adoption of a budget is one of the most important tasks undertaken by the General Assembly each year. The Missouri Constitution grants an important responsibility to the General Assembly to review state programs, to assess spending priorities and to direct future spending through the appropriation bills. Your Committee takes this responsibility seriously. In 2002, the full Committee met on forty-seven of the seventy-five days of the session.

I hope that you find this document useful. Your Senate Appropriations staff compiled the information contained in this report. If you have any suggestions for additions or if you want to see other changes, please contact me or the staff at (573) 751-2893.

Sincerely,

A handwritten signature in cursive script that reads "John T. Russell".

JOHN T. RUSSELL

JR:rb

2002 ANNUAL FISCAL REPORT

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PREFACE

The Senate Appropriations Committee is pleased to present this Annual Fiscal Report. It is designed to provide legislators, legislative and departmental staff, and the public detailed information about the appropriations and budget process during the 91st General Assembly, 2nd Regular Session (2002) as well as information about fiscal and budget issues in previous years.

The Report is divided into three major sections. The Missouri State Finances Section (Section I) presents details of Missouri's \$18.9 billion operating budget for Fiscal Year 2003. This section includes appropriation bill totals for operating and capital improvements. In addition, this section contains information identifying major budget increases, a veto summary, the current fiscal year general revenue estimate, a fiscal impact summary for legislation enacted in 2002 and the history of capital improvements appropriations. This section concludes with an estimate of the General Revenue Fund balance, including revenues, expenditures, and transfers for FY 2003.

Topics of Interest (Section II) provides information about a wide variety of subjects of current interest. This section contains information relating to the court ordered desegregation expenditures, gaming and bingo proceeds, the tobacco settlement, the highway fund cap, tax credits, homeland security and the senior prescription drug program.

The General Information Section (Section III) provides the names of the members of the Senate, the structure of the Missouri Senate Appropriations Committee and staff, a budget process overview and a calendar of appropriation events for the completion of the FY 2003 budget.

We hope that the Annual Fiscal Report will provide the reader with a wide range of interesting topics regarding the Missouri state budget and finances. If you have any comments or suggestions please send them to Robin Butler, Senate Appropriations Committee Staff, Rm. B-8, State Capitol Building, fax them to (573) 751-4778 or e-mail her at rbutler@senate.state.mo.us.

Section I

Missouri State Finances

FY 2003 OPERATING BUDGET SUMMARY

9/4/02

	Current Year Appropriations	Governor's Amended Recommendation	House Recommendation	Senate Recommendation	Conference Recommendation	After Veto Recommendation
House Bill 1						
General Revenue	\$ 110,063,279	\$ 109,474,939	\$ 91,989,799	\$ 111,029,964	\$ 91,989,799	\$ 91,989,799
Federal Funds	0	0	0	0	0	0
Other Funds	0	0	19,040,165	0	19,040,165	19,040,165
Total	\$ 110,063,279	\$ 109,474,939	\$ 111,029,964	\$ 111,029,964	\$ 111,029,964	\$ 111,029,964
House Bill 2						
General Revenue	\$ 2,452,741,627	\$ 2,465,133,041	\$ 2,497,156,897	\$ 2,481,608,754	\$ 2,616,153,489	\$ 2,616,153,489
Federal Funds	783,638,904	872,288,296	880,523,083	880,523,083	880,523,083	880,523,083
Other Funds	1,199,854,698	1,386,481,788	1,287,224,264	1,243,262,304	1,151,748,846	1,151,748,846
Total	\$ 4,436,235,229	\$ 4,723,903,125	\$ 4,664,904,244	\$ 4,605,394,141	\$ 4,648,425,418	\$ 4,648,425,418
House Bill 3						
General Revenue	\$ 975,672,485	\$ 878,064,141	\$ 879,887,117	\$ 874,276,442	\$ 875,992,675	\$ 875,992,675
Federal Funds	4,305,047	4,740,638	4,740,638	6,740,637	6,740,637	6,740,637
Other Funds	173,920,490	198,663,394	199,054,285	212,968,894	213,793,894	213,793,894
Total	\$ 1,153,898,022	\$ 1,081,468,173	\$ 1,083,682,040	\$ 1,093,985,973	\$ 1,096,527,206	\$ 1,096,527,206
House Bill 4						
General Revenue	\$ 1,158,280,017	\$ 1,192,113,987	\$ 1,198,056,716	\$ 1,199,177,459	\$ 1,198,400,309	\$ 1,198,400,309
Federal Funds	38,792,449	39,401,749	46,932,928	39,401,749	43,167,339	43,167,339
Other Funds	2,552,769,519	2,085,441,294	2,240,575,405	2,243,823,034	2,238,864,594	2,238,864,594
Total	\$ 3,749,841,985	\$ 3,316,957,030	\$ 3,485,565,049	\$ 3,482,402,242	\$ 3,480,432,242	\$ 3,480,432,242
House Bill 5						
General Revenue	\$ 557,402,226	\$ 557,342,762	\$ 560,348,618	\$ 558,175,077	\$ 559,708,048	\$ 559,708,048
Federal Funds	108,815,728	124,152,301	127,715,979	127,534,528	127,990,978	127,990,978
Other Funds	185,741,120	139,106,461	136,848,609	139,848,609	119,281,159	119,281,159
Total	\$ 851,959,074	\$ 820,601,524	\$ 824,913,206	\$ 825,558,214	\$ 806,980,185	\$ 806,980,185
House Bill 6						
General Revenue	\$ 37,190,328	\$ 32,429,752	\$ 29,340,430	\$ 27,287,978	\$ 30,866,303	\$ 30,866,303
Federal Funds	38,672,359	43,801,966	43,898,719	43,819,219	43,898,719	43,898,719
Other Funds	421,411,600	420,480,108	421,354,350	424,489,307	421,279,497	421,279,497
Total	\$ 497,274,287	\$ 496,711,826	\$ 494,593,499	\$ 495,596,504	\$ 496,044,519	\$ 496,044,519

FY 2003 OPERATING BUDGET SUMMARY

9/4/02

	Current Year Appropriations	Governor's Amended Recommendation	House Recommendation	Senate Recommendation	Conference Recommendation	After Veto Recommendation
House Bill 7						
General Revenue	\$ 68,540,142	\$ 45,723,923	\$ 48,896,770	\$ 46,325,315	\$ 48,151,370	\$ 48,151,370
Federal Funds	210,924,496	210,422,522	210,422,522	211,428,522	211,428,522	211,428,522
Other Funds	140,480,420	148,858,896	145,832,288	145,710,831	145,033,898	145,033,898
Total	\$ 419,945,058	\$ 405,005,341	\$ 405,151,580	\$ 403,464,668	\$ 404,613,790	\$ 404,613,790
House Bill 8						
General Revenue	\$ 50,879,612	\$ 50,535,258	\$ 48,277,456	\$ 45,840,890	\$ 46,970,334	\$ 46,970,334
Federal Funds	85,140,636	106,239,188	107,924,484	106,716,983	106,641,983	106,557,433
Other Funds	203,686,861	211,861,542	209,007,546	211,591,100	209,137,512	209,137,512
Total	\$ 339,707,109	\$ 368,635,988	\$ 365,209,486	\$ 364,148,973	\$ 362,749,829	\$ 362,665,279
House Bill 9						
General Revenue	\$ 482,507,741	\$ 519,488,185	\$ 510,569,394	\$ 503,414,352	\$ 512,349,786	\$ 512,349,786
Federal Funds	6,660,949	10,494,829	10,494,830	10,494,829	10,597,219	10,597,219
Other Funds	42,827,457	42,827,457	42,827,457	55,027,457	42,827,457	42,827,457
Total	\$ 531,996,147	\$ 572,810,471	\$ 563,891,681	\$ 568,936,638	\$ 565,774,462	\$ 565,774,462
House Bill 10						
General Revenue	\$ 664,798,134	\$ 514,966,069	\$ 637,825,389	\$ 618,548,591	\$ 617,984,091	\$ 617,984,091
Federal Funds	412,013,930	417,943,802	418,175,479	455,802,524	455,806,370	455,806,370
Other Funds	104,798,616	153,329,301	149,320,562	159,264,241	139,567,541	139,567,541
Total	\$ 1,181,610,680	\$ 1,086,239,172	\$ 1,205,321,430	\$ 1,233,615,356	\$ 1,213,358,002	\$ 1,213,358,002
House Bill 11						
General Revenue	\$ 1,217,257,640	\$ 1,172,013,031	\$ 1,187,236,695	\$ 1,116,688,737	\$ 1,071,380,090	\$ 1,071,317,737
Federal Funds	3,793,162,492	4,009,366,770	4,164,773,465	3,699,791,172	3,824,502,618	3,824,473,945
Other Funds	648,355,024	379,157,183	494,046,178	424,705,136	464,698,108	464,698,108
Total	\$ 5,658,775,156	\$ 5,560,536,984	\$ 5,846,056,338	\$ 5,241,185,045	\$ 5,360,580,816	\$ 5,360,489,790

FY 2003 OPERATING BUDGET SUMMARY

9/4/02

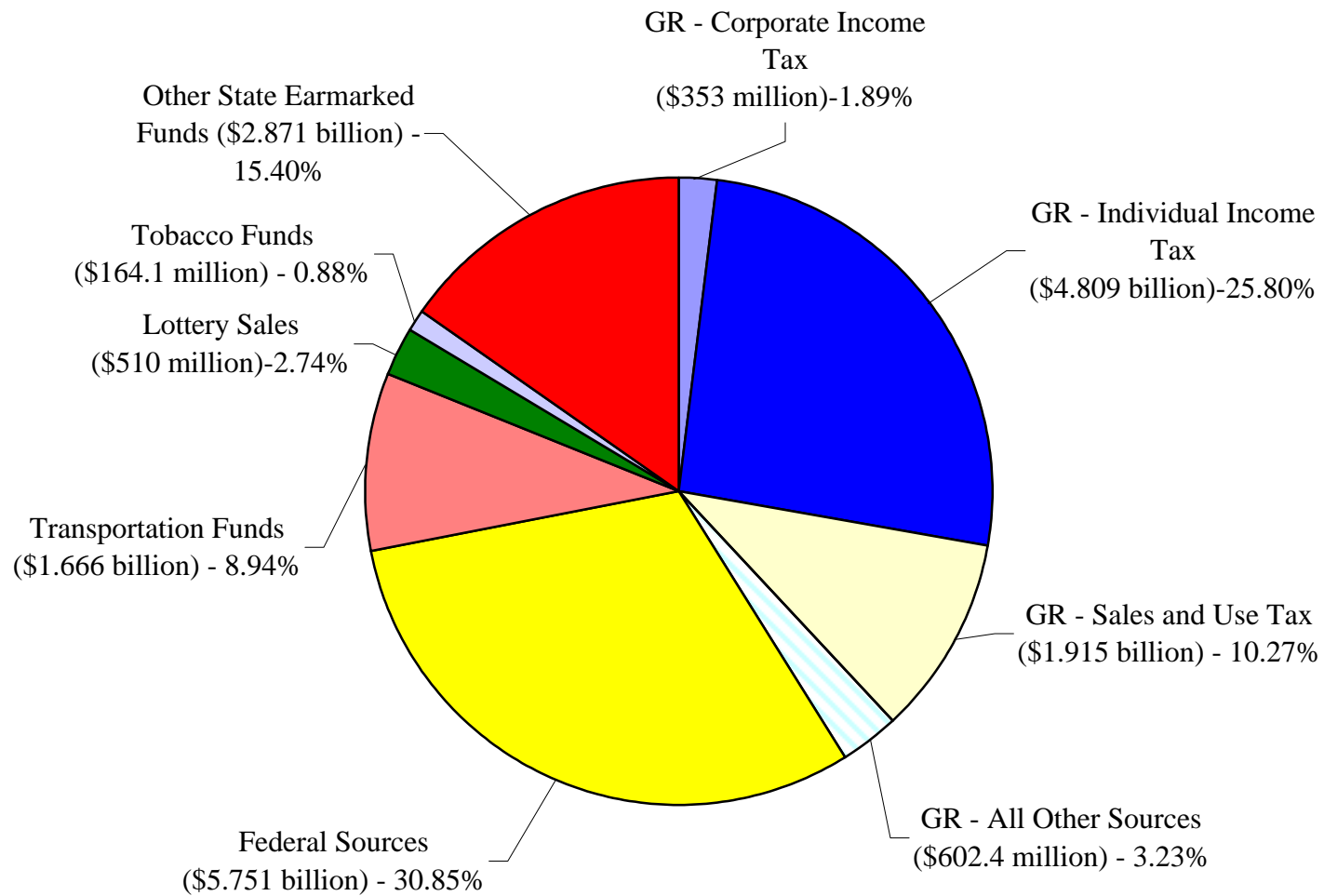
	Current Year Appropriations	Governor's Amended Recommendation	House Recommendation	Senate Recommendation	Conference Recommendation	After Veto Recommendation
House Bill 12						
General Revenue	\$ 256,269,585	\$ 256,574,140	\$ 249,102,007	\$ 250,179,453	\$ 250,592,288	\$ 250,410,473
Federal Funds	19,021,842	22,334,688	22,334,687	22,416,160	22,416,160	22,416,160
Other Funds	23,733,311	38,102,968	38,102,968	38,157,968	38,157,968	38,157,968
Total	\$ 299,024,738	\$ 317,011,796	\$ 309,539,662	\$ 310,753,581	\$ 311,166,416	\$ 310,984,601
House Bill 13						
General Revenue	\$ 28,739,929	\$ 28,249,525	\$ 28,249,525	\$ 28,249,525	\$ 28,249,525	\$ 28,249,525
Federal Funds	17,761,653	17,720,754	17,720,754	17,720,754	17,720,754	17,720,754
Other Funds	6,576,442	6,880,739	6,880,739	6,880,739	6,880,739	6,880,739
Total	\$ 53,078,024	\$ 52,851,018	\$ 52,851,018	\$ 52,851,018	\$ 52,851,018	\$ 52,851,018
House Bill 14						
General Revenue	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Federal Funds	0	1,407,012	0	0	0	0
Other Funds	0	136,525,000	0	0	0	0
Total	\$ 0	\$ 137,932,012	\$ 0	\$ 0	\$ 0	\$ 0
Total Operating						
General Revenue	\$ 8,060,342,745	\$ 7,822,108,753	\$ 7,966,936,813	\$ 7,860,802,537	\$ 7,948,788,107	\$ 7,948,543,939
Federal Funds	5,518,910,485	5,880,314,515	6,055,657,568	5,622,390,160	5,751,434,382	5,751,321,159
Other Funds	5,704,155,558	5,347,716,131	5,390,114,816	5,305,729,620	5,210,311,378	5,210,311,378
Total	\$ 19,283,408,788	\$ 19,050,139,399	\$ 19,412,709,197	\$ 18,788,922,317	\$ 18,910,533,867	\$ 18,910,176,476

FY 2003 OPERATING BUDGET SUMMARY

9/4/02

	Current Year Appropriations	Governor's Amended Recommendation	House Recommendation	Senate Recommendation	Conference Recommendation	After Veto Recommendation
House Bill 18						
General Revenue	\$ 29,665,363	\$ 40,646,243	\$ 40,646,243	\$ 40,646,243	\$ 40,646,243	\$ 40,646,243
Federal Funds	1,808,115	1,948,867	1,948,867	1,948,867	1,948,867	1,948,867
Other Funds	9,140,614	6,769,052	6,769,052	6,769,052	6,769,052	6,769,052
Total	\$ 40,614,092	\$ 49,364,162	\$ 49,364,162	\$ 49,364,162	\$ 49,364,162	\$ 49,364,162
House Bill 19						
General Revenue	\$ 6,716,295	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
Federal Funds	8,250,200	825,000	825,000	825,000	825,000	825,000
Other Funds	30,951,237	27,589,333	27,589,333	27,589,333	27,589,333	27,589,333
Total	\$ 45,917,732	\$ 28,614,333	\$ 28,614,333	\$ 28,614,333	\$ 28,614,333	\$ 28,614,333
House Bill 20						
General Revenue	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Federal Funds	0	5,807,644	5,807,644	5,807,644	5,807,644	5,807,644
Other Funds	0	0	0	0	0	0
Total	\$ 0	\$ 5,807,644	\$ 5,807,644	\$ 5,807,644	\$ 5,807,644	\$ 5,807,644
Total Capital Improvement						
General Revenue	\$ 36,381,658	\$ 40,846,243	\$ 40,846,243	\$ 40,846,243	\$ 40,846,243	\$ 40,846,243
Federal Funds	10,058,315	8,581,511	8,581,511	8,581,511	8,581,511	8,581,511
Other Funds	40,091,851	34,358,385	34,358,385	34,358,385	34,358,385	34,358,385
Total	\$ 86,531,824	\$ 83,786,139	\$ 83,786,139	\$ 83,786,139	\$ 83,786,139	\$ 83,786,139
Grand Total						
General Revenue	\$ 8,096,724,403	\$ 7,862,954,996	\$ 8,007,783,056	\$ 7,901,648,780	\$ 7,989,634,350	\$ 7,989,390,182
Federal Funds	5,528,968,800	5,888,896,026	6,064,239,079	5,630,971,671	5,760,015,893	5,759,902,670
Other Funds	5,744,247,409	5,382,074,516	5,424,473,201	5,340,088,005	5,244,669,763	5,244,669,763
Total	\$ 19,369,940,612	\$ 19,133,925,538	\$ 19,496,495,336	\$ 18,872,708,456	\$ 18,994,320,006	\$ 18,993,962,615

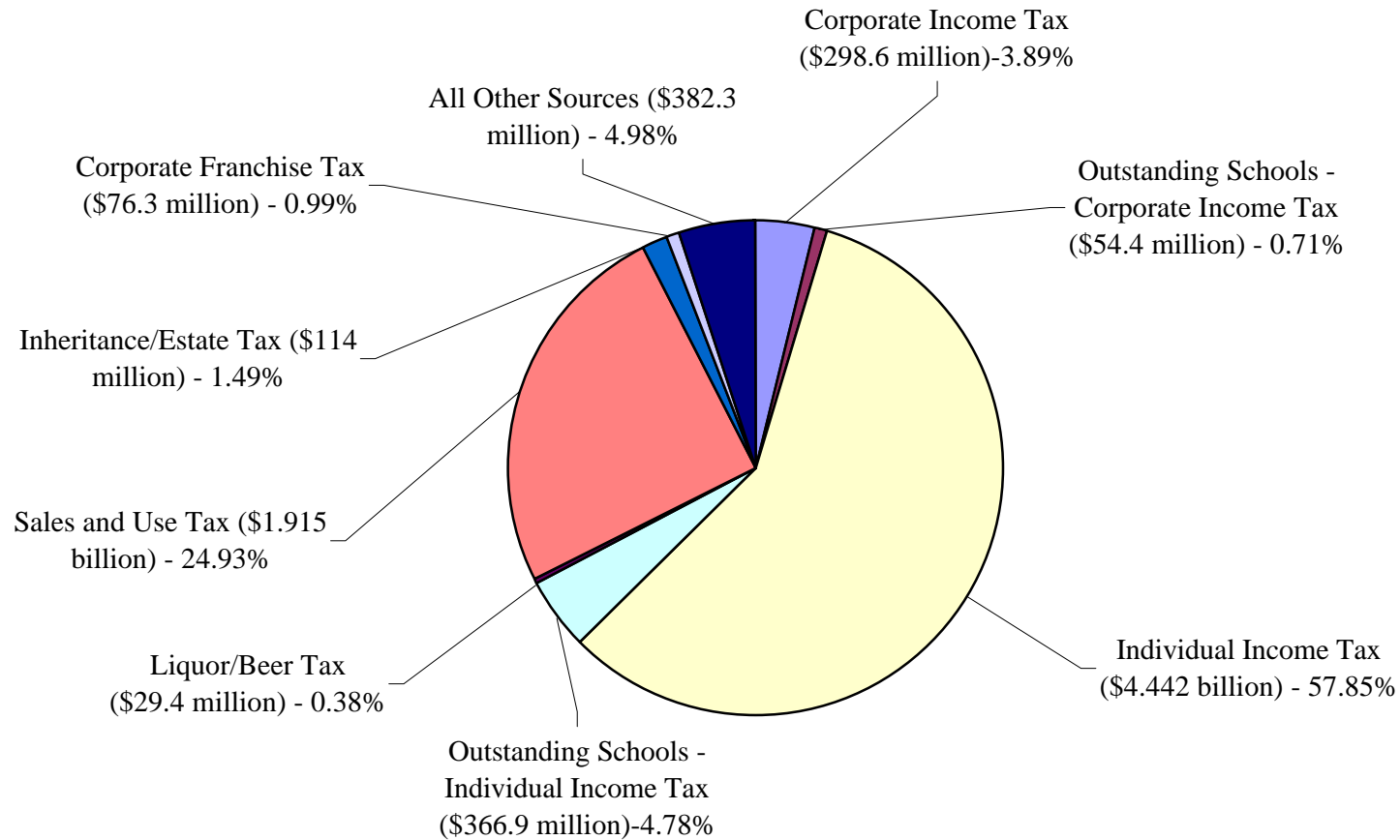
FY 2003 All Revenues Estimate: \$18.642 Billion



Examples of State Earmarked Funds: water, water pollution and stormwater bonds, environmental fee funds, Intergovernmental Transfers, Conservation, Gaming, etc.

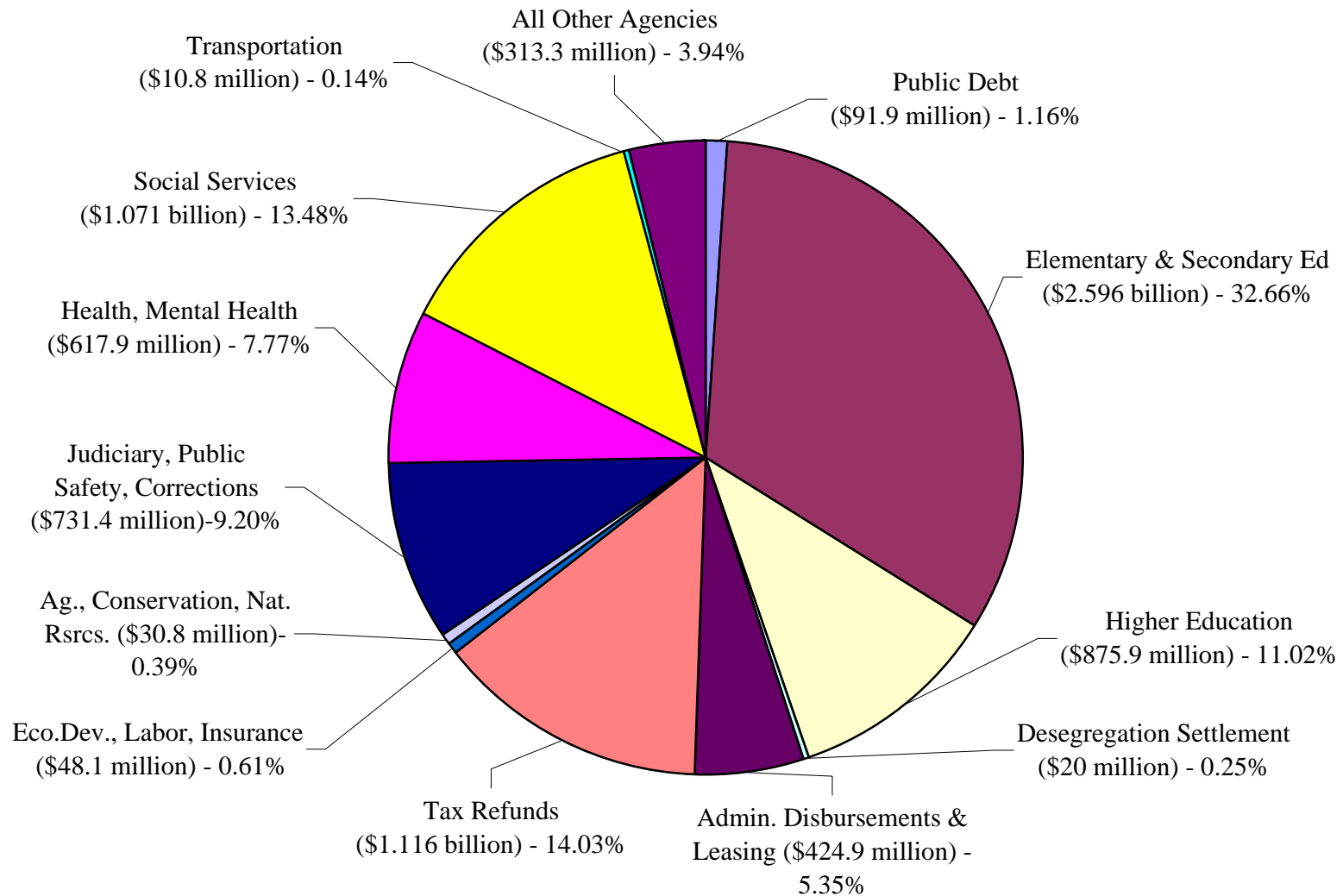
FY 2003 Consensus GR Estimate

\$7.679 Billion



All Other Sources: interest, federal reimbursement, county foreign insurance, etc.

FY 2003 Operating Budget General Revenue - \$7.948 Billion

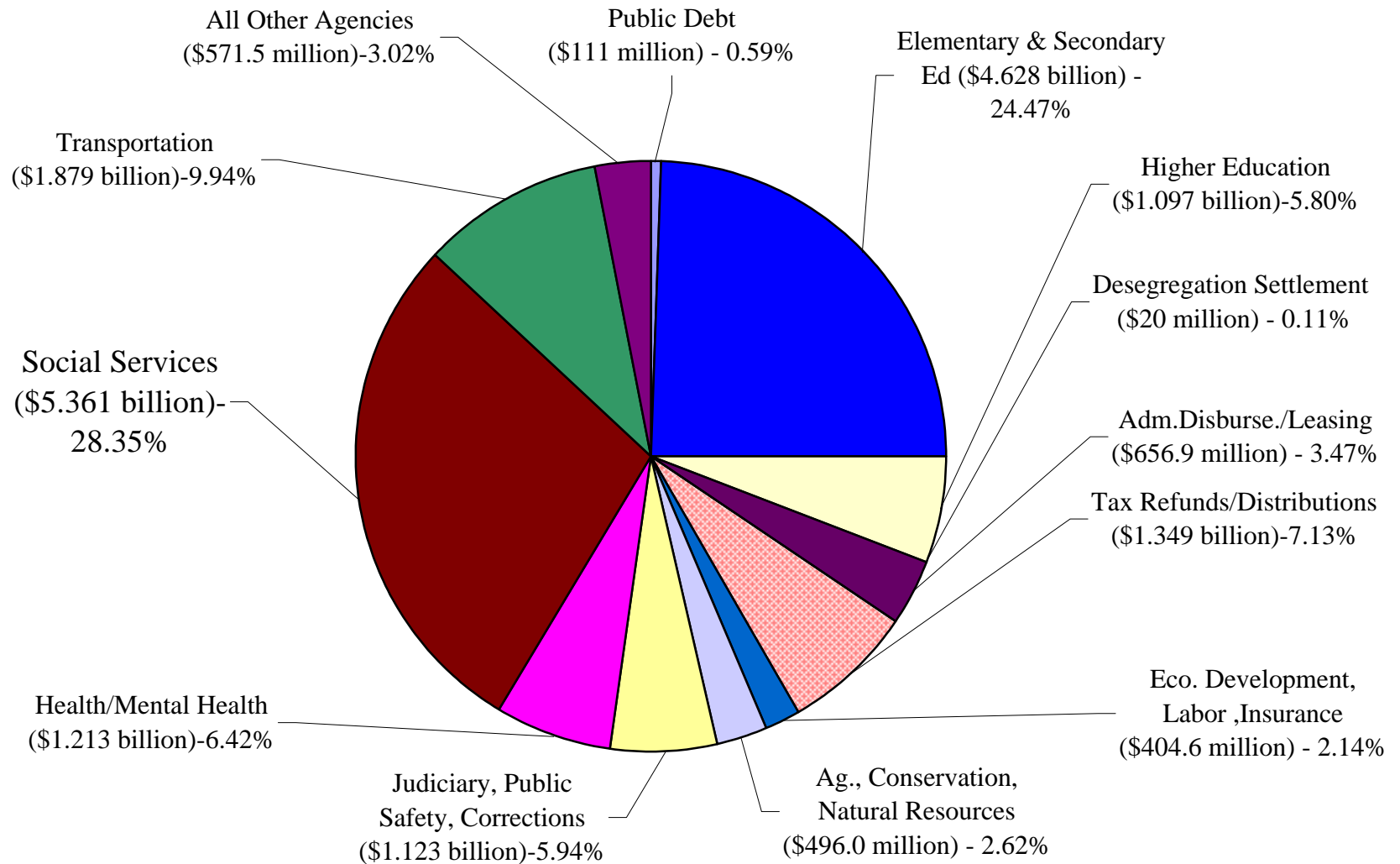


Administrative Disbursements: Retirement, Insurance, Deferred Comp

All Other Agencies: Revenue, Elected Officials, OA, General Assembly

FY 2003 Operating Budget

All Funds - \$18.910 Billion



Administrative Disbursements: Retirement, Insurance, Deferred Comp

All Other Agencies: Revenue, Elected Officials, OA, General Assembly

DISTRIBUTION OF EACH GENERAL REVENUE TAX DOLLAR

FY 2003 MISSOURI STATE OPERATING APPROPRIATIONS

General Revenue: \$7.948 Billion



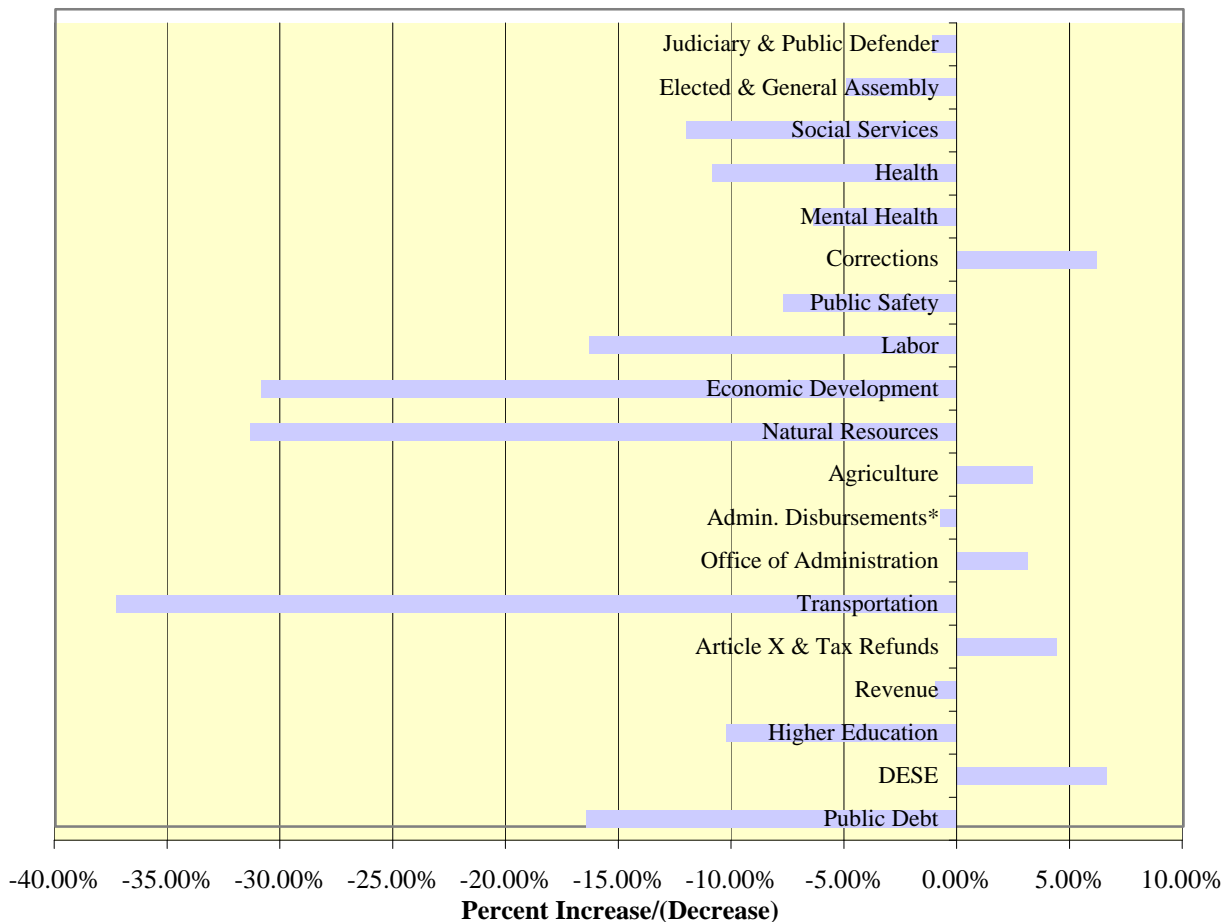
* Revenue, Office of Administration, Elected Officials, General Assembly

** Fringe Benefits (Retirement, Insurance, Deferred Compensation, Leasing)

Prepared by Senate Appropriations Staff

FY 2002 vs. FY 2003 GR Appropriation Comparison

Department/Agency	FY 2002	FY 2003	Difference	Percent Difference
Public Debt	\$ 110,063,279	\$ 91,989,799	\$ (18,073,480)	-16.42%
DESE	2,452,741,627	2,616,153,489	163,411,862	6.66%
Higher Education	975,672,485	875,992,675	(99,679,810)	-10.22%
Revenue	72,749,833	72,069,094	(680,739)	-0.94%
Article X & Tax Refunds	1,068,300,000	1,115,518,440	47,218,440	4.42%
Transportation	17,230,184	10,812,775	(6,417,409)	-37.25%
Office of Administration	158,042,583	162,991,505	4,948,922	3.13%
Admin. Disbursements*	428,099,572	424,966,068	(3,133,504)	-0.73%
Agriculture	15,333,314	15,848,145	514,831	3.36%
Natural Resources	21,857,014	15,018,158	(6,838,856)	-31.29%
Economic Development	63,581,724	44,000,629	(19,581,095)	-30.80%
Labor	4,958,418	4,150,741	(807,677)	-16.29%
Public Safety	50,879,612	46,970,334	(3,909,278)	-7.68%
Corrections	482,507,741	512,349,786	29,842,045	6.18%
Mental Health	561,040,472	525,452,899	(35,587,573)	-6.34%
Health	103,757,662	92,531,192	(11,226,470)	-10.82%
Social Services	1,217,257,640	1,071,317,737	(145,939,903)	-11.99%
Elected & General Assembly	82,310,607	78,300,247	(4,010,360)	-4.87%
Judiciary & Public Defender	173,958,978	172,110,226	(1,848,752)	-1.06%
TOTALS	8,060,342,745	7,948,543,939	(111,798,806)	-1.39%



* - Fringe Benefits and Leasing

MAJOR OPERATING BUDGET CHANGES FOR FY 2003

The major operating budget changes section of the Annual Fiscal Report compares the FY 2003 budget to the FY 2002 budget for each state department, and for elected officials, the judiciary, and the General Assembly. Appropriations from General Revenue, Federal Funds, and Other State Funds are compared and percentage increases and decreases are provided, including the number of employees, or full-time equivalents¹ (FTE's) for each state department. This section also includes the major changes that occurred in each department's budget for FY 2003. These major changes are either core² reductions, new funding for existing state programs, or funding for new state programs.

HB 1101 – PUBLIC DEBT

<u>Fund</u>	<u>FY 2002 Appropriation</u>	<u>FY 2003 After Veto</u>	<u>Percentage Change</u>
GR	\$110,063,279	\$91,989,799	(16.4%)
FED	0	0	0%
OTHER	0	19,040,165	100%
TOTAL	\$110,063,279	\$111,029,964	0.9%
 F.T.E.	 1.40	 1.40	 0%

Major Changes

<u>Series</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>FY 03 General Revenue</u>
Water Pollution	\$ 398,425,000	\$ 329,090,000	\$ 18,730,000
Third State	493,640,000	349,305,000	50,532,135
Fourth State	250,000,000	222,055,000	18,588,821
Stormwater	30,000,000	29,095,000	4,014,172
Totals	\$1,172,065,000	\$ 929,545,000	\$ 91,989,799

- Water Pollution Control Bonds-protection of the environment through the control of water pollution.
- Third State Building Bonds-provides funds for improvements of State buildings and property.
- Fourth State Building Bonds-provides funds for improvements of buildings and property of higher education institutions, the Department of Corrections and the Division of Youth Services.
- Stormwater Control Bonds-protection of the environment through the control of stormwaters.

¹ Full Time Equivalent (FTE) - a number that approximates the ratio between the number of state employees and hours that they work (e.g. one state employee working full-time equals 1 full-time equivalent, as does two state employees working half-time).

² Core - the amount of funding that maintains the status quo of a department's operation, encompassing personal service, expense and equipment, and program specific distributions.

MAJOR OPERATING BUDGET CHANGES FOR FY 2003

HB 1102 – DEPT. OF ELEMENTARY AND SECONDARY EDUCATION

<u>Fund</u>	<u>FY 2002 Appropriation</u>	<u>FY 2003 After Veto</u>	<u>Percentage Change</u>
GR	\$2,452,741,627	\$2,616,153,489	6.7%
FED	783,638,904	880,523,083	12.4%
OTHER	<u>1,199,854,698</u>	<u>1,151,748,846</u>	<u>(4.0%)</u>
TOTAL	\$4,436,235,229	\$4,648,425,418	4.8%
F.T.E.	2,027.22	2,077.43	2.5%

Major Changes

- \$110,000,000 Provides additional funding of at least \$110 million of General Revenue for the school foundation program (Minimum increase of 5.4%).
- \$44,000,000 Provides additional authority for the possibility of increasing the school foundation program by an additional \$44 million of General Revenue (Maximum increase of 7.5%).
- \$4,400,000 Provides additional funding for the First Steps Program (Early Childhood Development, Education, and Care funds and Federal funds).
- \$1,006,418 Provides General Revenue and Federal funding for “Ticket-to-Work” program.
- \$23,000,000 Provides additional Federal funding for special education grants.
- \$14,000,000 Provides additional Federal funding for the Personal Care Attendant program.
- \$14,900,000 Provides additional Federal funding under Title I for Reading First grants.
- \$7,200,000 Provides Federal funding for student assessments.
- (\$1,100,000) Provides for the General Revenue reduction of the Department of Elementary and Secondary administration core.
- (\$500,000) Provides for a General Revenue reduction to the State Schools for the Blind, Deaf, and the Severely Handicapped.
- (\$744,998) Provides for a reduction to the Character Plus program (lottery funds).
- (\$7,717,057) Provides for a reduction in General Revenue funding for MAP testing.
- (\$1,900,000) Provides for a reduction in General Revenue funding for new technology.
- (\$2,000,000) Provides for a reduction in school district bond reimbursements.

MAJOR OPERATING BUDGET CHANGES FOR FY 2003

HB 1103 – DEPT. OF HIGHER EDUCATION

<u>Fund</u>	<u>FY 2002 Appropriation</u>	<u>FY 2003 After Veto</u>	<u>Percentage Change</u>
GR	\$975,672,485	\$875,992,675	(10.2%)
FED	4,305,047	6,740,637	56.6%
OTHER	<u>173,920,490</u>	<u>213,793,894</u>	<u>22.9%</u>
TOTAL	\$1,153,898,022	\$1,096,527,206	(5.0%)
 F.T.E.	 96.83	 96.23	 (0.6%)

Major Changes

- \$495,780 Provides additional Federal funding and 8 FTE to continue to improve grant and scholarship administration.
- \$325,000 Provides funding for the Spinal Cord Injury Research Program at the University of Missouri.
- \$15,000,000 Provides additional spending authority for the purchase of defaulted student loans.
- \$2,000,000 Provides Federal spending authority for grants and donations.
- (\$165,171) Provides for a reduction for Coordinating Board administration.
- (\$15,732,230) Provides for a reduction in the operating budgets of 2-year colleges and community colleges (General Revenue and Lottery Funds).
- (\$81,208,135) Provides for a reduction in the operating budgets of 4-year colleges and universities (General Revenue and Lottery Funds).
- (\$1,921,429) Provides for a General Revenue reduction to the Missouri Research and Education network (MOREnet).
- (\$2,618,754) Provides for a General Revenue reduction for University of Missouri-related medical facilities and services.

MAJOR OPERATING BUDGET CHANGES FOR FY 2003

HB 1104 – DEPT. OF REVENUE

<u>Fund</u>	<u>FY 2002 Appropriation</u>	<u>FY 2003 After Veto</u>	<u>Percentage Change</u>
GR	\$1,141,049,833	\$1,187,587,534	4.1%
FED	2,530,953	3,479,453	37.5%
OTHER	<u>412,896,200</u>	<u>410,145,793</u>	<u>(0.7%)</u>
TOTAL	\$1,556,476,986	\$1,601,212,780	2.9%
F.T.E.	2,277.88	2,206.77	(3.1%)

Major Changes

- \$150,000 Provides General Revenue funding for advertising for the Tax Amnesty Program.
- \$42,300,000 Provides for additional refunds to income tax payers.
- (\$2,000,000) Provides for a reduction in General Revenue for assessment maintenance.
- (\$2,000,000) Provides for a reduction in the Lottery Commission advertising budget (Lottery Funds).
- (\$1,098,100) Provides for a reduction in other administrative expenses for the Lottery Commission (Lottery Funds).

MAJOR OPERATING BUDGET CHANGES FOR FY 2003

HB 1104 - DEPT. OF TRANSPORTATION

<u>Fund</u>	<u>FY 2002 Appropriation</u>	<u>FY 2003 After Veto</u>	<u>Percentage Change</u>
GR	\$17,230,184	\$10,812,775	(37.2%)
FED	36,261,496	39,687,886	9.4%
OTHER	<u>2,139,873,319</u>	<u>1,828,718,801</u>	<u>(14.5%)</u>
TOTAL	\$2,193,364,999	\$1,879,219,462	(14.3%)
 F.T.E.	 6,803.00	 6,543.25	 (3.8%)

Major Changes

- \$19,900,000 Provides for 255 FTE's reallocated from cost efficiency changes within the Administration, Construction, Maintenance, and Service Operations sections to enhance funding for the Construction Program.
- \$255,000,000 Provides funding for the third Bond Issuance for the Construction Program, including \$23.0 million for Debt Service on the Bonds.
- \$68,400,000 Provides funding to increase the Construction Program.
- (\$1,200,000) Provides for a General Revenue reduction for the Amtrak Rail Passenger Service Program.
- (\$125,000) Provides for a reduction in Amtrak Advertising and Promotions.
- (\$275,000) Provides for a General Revenue reduction for the Port Authority Assistance Program. NOTE: The fiscal year 2003 budget allocates funding to continue ferry boat operations and the Mid-America Port Commission.
- (\$664,999,999) Provides for a reduction in funding Series A 2000 Bond Proceeds of \$250,000,000 that have already been expended, and Series A 2001 Bond Proceeds of \$414,999,999 from proceeds not yet expended from 2001.
- (\$4,602,388) Provides for a reduction in funding for the Transportation Assistance Program for urban and rural transit providers.
- (\$149,927) Provides for a reduction in funding for the Mo. Elderly and Handicapped Transportation Assistance Program.

MAJOR OPERATING BUDGET CHANGES FOR FY 2003

HB 1105 – OFFICE OF ADMINISTRATION

<u>Fund</u>	<u>FY 2002 Appropriation</u>	<u>FY 2003 After Veto</u>	<u>Percentage Change</u>
GR	\$557,402,226	\$559,708,048	0.4%
FED	108,815,728	127,990,978	17.6%
OTHER	<u>185,741,120</u>	<u>119,281,159</u>	<u>(35.8%)</u>
TOTAL	\$851,959,074	\$806,980,185	(5.3%)
 F.T.E.	 1,106.29	 1,085.24	 (1.9%)

Major Changes

- (\$2,500,000) Provides for reductions in administrative costs (General Revenue).
- \$41,000,000 Provides funding for increase in state employee health care costs (\$28,900,000GR; \$7,100,000 FED; \$5,000,000 OTH).
- (\$39,160,000) Provides for reduction in state employee retirement costs due to lower contribution rates (\$31,517,000 GR; \$3,819,000 FED; \$3,824,000 OTH).
- (\$13,500,000) Provides for reduction in other state funds for cost allocation plan.
- (\$3,000,000) Provides for reduction in reimbursements to counties for costs in criminal cases per diem from \$22.50 to \$20.00 (General Revenue).
- (\$1,500,000) Provides for a reduction in the General Revenue transfer into the Facilities Maintenance Reserve Fund.
- (\$1,900,000) Provides for a reduction in reimbursements to counties for juvenile personnel costs (General Revenue).
- (\$21,600,000) Provides for the elimination of Life Science grants (Healthy Families Trust Fund).

MAJOR OPERATING BUDGET CHANGES FOR FY 2003

HB 1106 – DEPT. OF AGRICULTURE

<u>Fund</u>	<u>FY 2002 Appropriation</u>	<u>FY 2003 After Veto</u>	<u>Percentage Change</u>
GR	\$15,333,314	\$15,848,145	3.4%
FED	1,656,235	3,263,590	97.0%
OTHER	<u>16,065,634</u>	<u>14,259,878</u>	<u>(11.2%)</u>
TOTAL	\$33,055,183	\$33,371,613	1.0%
 F.T.E.	 460.47	 468.34	 1.7%

Major Changes

- \$1,182,176 Provides for additional Federal Funds and 2.00 FTE for marketing, food safety, and other department activities.
- (\$1,450,000) Provides for Petroleum Violation Escrow Fund core reduction for Ethanol Producer Incentive payments.
- \$4,592,546 Provides for General Revenue and Other Funds for Ethanol Producer Incentive payments.
- \$233,612 Provides for additional General Revenue for AgriMissouri Program.
- \$44,644 Provides for additional Other Funds and 1.00 FTE for Grape and Wine Program.
- (\$1,185,169) Provides for General Revenue core reduction department-wide.

MAJOR OPERATING BUDGET CHANGES FOR FY 2003

HB 1106 – DEPT. OF NATURAL RESOURCES

<u>Fund</u>	<u>FY 2002 Appropriation</u>	<u>FY 2003 After Veto</u>	<u>Percentage Change</u>
GR	\$21,857,014	\$15,018,158	(31.3%)
FED	37,016,124	40,635,129	9.8%
OTHER	<u>280,274,621</u>	<u>281,948,274</u>	<u>0.6%</u>
TOTAL	\$339,147,759	\$337,601,561	(0.5%)
 F.T.E.	 2,059.84	 2,057.74	 (0.1%)

Major Changes

- \$500,000 Provides funding from Soil & Water Sales Tax for pay and benefits to local conservation districts.
- \$238,771 Provides for additional funding for State Parks at the Confluence Park Initiative, Johnson Shut-Ins, Big Sugar Creek, and other parks expansions.
- \$2,600,000 Provides for additional federal funding for national environmental information exchange and improving environmental enforcement.
- (\$3,000,000) Provides for elimination of the General Revenue funded Landmark Park and Local Park Grant Program.
- (\$3,838,856) Provides for General Revenue core reduction and core reallocations department-wide.

MAJOR OPERATING BUDGET CHANGES FOR FY 2003

HB 1106 – DEPT. OF CONSERVATION

<u>Fund</u>	<u>FY 2002 Appropriation</u>	<u>FY 2003 After Veto</u>	<u>Percentage Change</u>
GR	\$ 0	\$ 0	0%
FED	0	0	0%
OTHER	<u>125,071,345</u>	<u>125,071,345</u>	<u>0%</u>
TOTAL	<u>\$125,071,345</u>	<u>\$125,071,345</u>	<u>0%</u>
 F.T.E.	 1,871.61	 1,871.61	 0%

MAJOR OPERATING BUDGET CHANGES FOR FY 2003

HB 1107 – DEPT. OF ECONOMIC DEVELOPMENT

<u>Fund</u>	<u>FY 2002 Appropriation</u>	<u>FY 2003 After Veto</u>	<u>Percentage Change</u>
GR	\$63,581,724	\$44,000,629	(30.8%)
FED	142,648,833	143,580,975	0.7%
OTHER	<u>76,019,189</u>	<u>72,658,980</u>	<u>(4.4%)</u>
TOTAL	\$282,249,746	\$260,240,584	(7.8%)
 F.T.E.	 1,648.04	 1,614.73	 (2.0%)

Major Changes

- \$2,903,471 Provides funding for increased Tourism advertising over Governor's position; retains a \$2,361,614 General Revenue core reduction in Tourism Transfer.
- \$2,000,000 Provides for a transfer of General Revenue back out of the Property Reuse Fund, but keeping in enough funds to cover obligated projects.
- \$3,000 Provides for placeholders for three new State Super TIF projects: Springfield Jordan Valley Park, Bannister Mall in Kansas City, and the Branson Landing project.
- (\$300,000) Provides for a core reduction of Highway Funds Expense & Equipment from Motor Carrier and Railroad Safety.
- (\$2,597,030) Provides for a General Revenue core reduction in the Arts Council Trust Fund from the Non-resident Athlete and Entertainers Tax.
- (\$432,838) Provides for a General Revenue core reduction in the Humanities Trust Fund from the Non-resident Athlete and Entertainers Tax.
- (\$4,418,078) Provides for a General Revenue core reduction in the Customized Job Training Program.
- (\$9,771,535) Provides for General Revenue one-time expenditures, program eliminations and core reductions department-wide.
- (\$2,000,000) Provides for Other Fund core reduction in the Community College Job Training Program.
- (\$2,000,000) Provides for Other Fund core reduction in the Property Reuse Brownfield Program.

MAJOR OPERATING BUDGET CHANGES FOR FY 2003

HB 1107 – DEPT. OF INSURANCE

<u>Fund</u>	<u>FY 2002 Appropriation</u>	<u>FY 2003 After Veto</u>	<u>Percentage Change</u>
GR	\$ 0	\$ 0	0%
FED	400,000	450,000	12.5%
OTHER	<u>13,420,847</u>	<u>14,395,291</u>	<u>7.3%</u>
TOTAL	\$13,820,847	\$14,845,291	7.4%
F.T.E.	226.50	226.50	0%

Major Changes

- \$50,000 Provides for additional Federal Funds for health care counseling to seniors.
- \$165,000 Provides for additional Insurance funds to implement SB 193 (2001) relating to licensure of agents and brokers.
- \$37,896 Provides for additional Insurance funds to reclassify certain department personnel.
- \$800,855 Provides for additional Insurance funds to allow for the elimination of the Estimated appropriation.

MAJOR OPERATING BUDGET CHANGES FOR FY 2003

HB 1107 – DEPT. OF LABOR AND INDUSTRIAL RELATIONS

<u>Fund</u>	<u>FY 2002 Appropriation</u>	<u>FY 2003 After Veto</u>	<u>Percentage Change</u>
GR	\$4,958,418	\$4,150,741	(16.3%)
FED	67,875,663	67,397,547	(0.7%)
OTHER	<u>51,040,384</u>	<u>57,979,627</u>	<u>13.6%</u>
TOTAL	\$123,874,465	\$129,527,915	4.6%
 F.T.E.	 1,315.27	 1,309.27	 (0.5%)

Major Changes

\$7,000,000 Provides for additional funds to cover increased Second Injury Fund claims.

\$46,267 Provides for additional funds and 1.00 FTE to establish the Tort Victims' Compensation Program.

(\$807,677) Provides for General Revenue core reduction department-wide.

MAJOR OPERATING BUDGET CHANGES FOR FY 2003

HB 1108 – DEPT. OF PUBLIC SAFETY

<u>Fund</u>	<u>FY 2002 Appropriation</u>	<u>FY 2003 After Veto</u>	<u>Percentage Change</u>
GR	\$50,879,612	\$46,970,334	(7.7%)
FED	85,140,636	106,557,433	25.2%
OTHER	<u>203,686,861</u>	<u>209,137,512</u>	<u>2.7%</u>
TOTAL	\$339,707,109	\$362,665,279	6.8%
 F.T.E.	 4,576.05	 4,616.39	 0.9%

Major Changes

- \$343,352 Provides funding for the implementation of homeland security measures.
- \$525,000 Provides funding for additional security measures for the Capitol Police.
- \$1,662,000 Provides additional federal funding for the Highway Patrol's Enforcement Program for intelligence and equipment upgrades.
- \$13,100,000 Provides additional federal funding for the Highway Patrol's Technical Services Section that provides for mobile computing devices, and upgrades associated with criminal history reporting systems.
- \$1,100,000 Provides additional funding for pharmacy price increases and new staffing at the Mt. Vernon and St. Louis Veterans Homes.
- \$150,000 Provides additional funding for a study related to Veterans Cemetery Planning.
- \$150,000 Provides General Revenue and federal funding for Missouri Task Force One.
- (\$900,000) Provides for the elimination of the Methamphetamine and Ecstasy Initiative.
- (\$543,500) Provides for the reduction and/or elimination of various programs within the Office of the Director.
- (\$3,500,000) Provides for the reduction of administrative core funds within various Divisions within the Department of Public Safety.

MAJOR OPERATING BUDGET CHANGES FOR FY 2003

HB 1109 - DEPT. OF CORRECTIONS

<u>Fund</u>	<u>FY 2002 Appropriation</u>	<u>FY 2003 After Veto</u>	<u>Percentage Change</u>
GR	\$482,507,741	\$512,349,786	6.2%
FED	6,660,949	10,597,219	59.1%
OTHER	<u>42,827,457</u>	<u>42,827,457</u>	<u>0%</u>
TOTAL	\$531,996,147	\$565,774,462	6.3%
 F.T.E.	 10,478.77	 10,696.43	 2.1%

Major Changes

- \$520,000 Provides funding for a community based Offender Re-Entry Program.
- \$3,886,270 Provides additional spending authority to allow the Department of Corrections to utilize new Federal Funds.
- \$1,200,000 Provides funding for fuel and utilities expenses.
- \$774,778 Provides funding for population driven food increases.
- \$1,200,000 Provides additional funding for the Institutional Expense and Equipment Pool.
NOTE: This provides funding for offender clothing, bed linens, gasoline, security items, etc.
- \$40,000,000 Provides funding for the Population Growth Pool that includes funding for the start-up of the new correctional facility in Bonne Terre, expansion of the correctional facility in Charleston, and saturation housing at Algoa and Western Correctional Facilities.
- (\$5,000,000) Provides for the reduction of administrative core funds and one-time expenditures within various Divisions within the Department of Corrections
- (\$31,000,000) One-time personal service and expense and equipment expenditures within the Growth Pool Section.

MAJOR OPERATING BUDGET CHANGES FOR FY 2003

HB 1110 – DEPT. OF MENTAL HEALTH

<u>Fund</u>	<u>FY 2002 Appropriation</u>	<u>FY 2003 After Veto</u>	<u>Percentage Change</u>
GR	\$561,040,472	\$525,452,899	(6.3%)
FED	109,865,253	140,809,081	28.2%
OTHER	<u>27,375,600</u>	<u>36,861,381</u>	<u>34.7%</u>
TOTAL	\$698,281,325	\$703,123,361	0.7%
 F.T.E.	 10,386.04	 10,091.61	 (2.8%)

Major Changes

- \$392,342 Provides general revenue funds for the Ticket to Work Medicaid expansion in all three divisions.
- \$549,770 Provides General Revenue funding for the cost to continue of the Violent Sexual Predator facility.
- \$30,000,000 Provides Federal and Other Fund authority to possibly receive additional Medicaid funds.
- (\$2,264,219) Provides for a reduction of Healthy Families Trust Fund (tobacco settlement monies) in all three divisions for the new Medicaid eligibles.
- (\$6,907,824) Provides for a reduction in Mental Retardation/Developmental Disabilities Community Programs General Revenue, offset by increase in new Federal funds.
- (\$3,878,512) Provides for a General Revenue core reduction in personal service (93.37 FTE) and expense and equipment in the state habilitation centers.
- (\$4,768,646) Provides for a General Revenue core reduction of personal service (132.07 FTE) and expense and equipment in the state psychiatric hospitals.
- (\$1,104,819) Provides for a General Revenue core reduction of personal service (28.70 FTE) and expense and equipment in the state regional centers.

MAJOR OPERATING BUDGET CHANGES FOR FY 2003

HB 1110 – DEPT. OF HEALTH AND SENIOR SERVICES

<u>Fund</u>	<u>FY 2002 Appropriation</u>	<u>FY 2003 After Veto</u>	<u>Percentage Change</u>
GR	\$103,757,662	\$ 92,531,192	(10.8%)
FED	302,148,677	314,997,289	4.3%
OTHER	<u>77,423,016</u>	<u>102,706,160</u>	<u>32.7%</u>
TOTAL	\$483,329,355	\$510,234,641	5.6%
 F.T.E.	 2,154.77	 2,233.94	 3.7%

Major Changes

- \$1,122,092 Provides funding from Healthy Families Trust Fund (tobacco settlement monies) for Childhood Lead Screening.
- \$18,758,646 Provides Federal Funds and 48.00 FTE for bioterrorism/homeland security.
- \$100,000 Provides General Revenue funding for an Aging in Place pilot project with the Federal government in St. Louis.
- \$75,209,494 Provides funding for the Missouri Senior Prescription Drug program, from Healthy Families Trust Fund-Senior Rx, rebates from pharmaceutical companies, and enrollment fees from participants.
- \$764,855 Provides General Revenue funding and 12.00 FTE for enhancing surveillance and response systems.
- (\$1,500,000) Provides for General Revenue core reduction in Family Planning. Restored FY 2002 language.
- (\$300,000) Provides for General Revenue core reduction in Alternatives to Abortion. Restored FY 2002 language.
- (\$200,000) Provides for General Revenue core reduction in Head Injury Services.
- (\$225,000) Provides for General Revenue core reduction in Genetic Services.
- (\$21,276,700) Provides for a core elimination of the Tobacco Use Prevention program (Healthy Families Trust Fund).
- (\$9,400,000) Provides for General Revenue core reductions throughout the department.

MAJOR OPERATING BUDGET CHANGES FOR FY 2003

HB 1111 – DEPT. OF SOCIAL SERVICES

<u>Fund</u>	<u>FY 2002 Appropriation</u>	<u>FY 2003 After Veto</u>	<u>Percentage Change</u>
GR	\$1,217,257,640	\$1,071,317,737	(12.0%)
FED	3,793,162,492	3,824,473,945	0.8%
OTHER	<u>648,355,024</u>	<u>464,698,108</u>	<u>(28.3%)</u>
TOTAL	\$5,658,775,156	\$5,360,489,790	(5.3%)
 F.T.E.	 9,628.78	 9,273.27	 (3.7%)

Major Changes

- \$419,116,097 Provided funding for Medicaid cost growth, including caseload, pharmacy, and managed care rate increases (\$160,233,858 state funds).
- \$11,730,000 Provided additional funding for Missouri Care Options services, to help elderly and disabled Medicaid recipients access appropriate care (\$4,000,000 GR).
- \$11,600,000 Provided funding for one-time Medicaid grants to Nursing Homes (\$4,501,960 Intergovernmental Transfer).
- (\$342,100,000) Reduced availability of Intergovernmental Transfer Funds (IGT) due to Federal restrictions, including the following reductions: \$121,400,000 in one-time grants; \$80,000,000 in reserves; and, \$140,700,000 in initiating transactions.
- (\$159,104,319) Implemented programs to contain Medicaid pharmacy costs, including targeted case management for recipients on a high number of medications, a preferred drug list with supplemental rebates, increased use of prior authorization, and additional savings from FY 2002 cost containment measures (\$61,756,885 GR).
- (\$75,076,424) Moderated coverage for 1115/1931 waiver parents in the Medicaid program by lowering most eligibility levels to equal that used for elderly and disabled recipients and shortened some coverage time limits to one year from two (\$29,137,160 GR).
- (\$44,031,815) Reduced Medicaid Supplemental Pool appropriation authority.
- (\$18,809,585) Limited Medicaid reimbursement for Medicare Part B recipients to the maximum Medicaid reimbursement used for other Medicaid recipients (\$7,300,000 GR).

MAJOR OPERATING BUDGET CHANGES FOR FY 2003

HB 1111 – DEPT. OF SOCIAL SERVICES (cont.)

Major Changes

- (\$16,490,595) Modified the Medicaid spenddown program to achieve compliance with Federal regulations and discontinued the practice of the Medicaid program paying for recipient's spenddown amounts. Provided for a monthly instead of quarterly calculation and provided a transition period (\$6,400,000 GR).
- (\$12,202,554) Reduced funding for Caring Communities and Community Initiatives programs (\$3,575,098 GR; \$8,497,678 FED; \$129,778 Intergovernmental Transfer).
- (\$11,852,615) Eliminated Medicaid adult dental services other than dentures (\$4,600,000 GR).

MAJOR OPERATING BUDGET CHANGES FOR FY 2003

HB 1112 – STATEWIDE ELECTED OFFICIALS

<u>Fund</u>	<u>FY 2002 Appropriation</u>	<u>FY 2003 After Veto</u>	<u>Percentage Change</u>
GR	\$45,659,524	\$44,111,162	(3.4%)
FED	6,731,230	6,802,928	1.1%
OTHER	<u>16,162,254</u>	<u>30,386,911</u>	<u>88.0%</u>
TOTAL	\$68,553,008	\$81,301,001	18.6%
 F.T.E.	 981.20	 971.12	 (1.0%)

Major Changes

- (\$2,400,000) Provides for reductions in administrative costs (General Revenue).
- \$100,000 Provides funds reallocated from other departments to fund current employees in the Governor's office (General Revenue).
- \$1,000,000 Provides funds to publish ballot measures in local newspapers (General Revenue).
- \$1,000,000 Provides funds for the issuance of duplicate checks (General Revenue).
- \$12,000,000 Provides funds for the payment of abandoned funds and unclaimed property claims.

MAJOR OPERATING BUDGET CHANGES FOR FY 2003

HB 1112 - JUDICIARY

<u>Fund</u>	<u>FY 2002 Appropriation</u>	<u>FY 2003 After Veto</u>	<u>Percentage Change</u>
GR	\$144,150,056	\$142,198,592	(1.4%)
FED	12,165,612	15,488,232	27.3%
OTHER	<u>5,735,723</u>	<u>5,935,723</u>	<u>3.5%</u>
TOTAL	\$162,051,391	\$163,622,547	1.0%
 F.T.E.	 3,411.10	 3,428.60	 0.5%

Major Changes

(\$2,100,000) Provides for reductions in administrative costs (General Revenue).

\$3,100,000 Provides Federal funding of court improvement projects under the Title IV-E program.

MAJOR OPERATING BUDGET CHANGES FOR FY 2003

HB 1112 – PUBLIC DEFENDER

<u>Fund</u>	<u>FY 2002 Appropriation</u>	<u>FY 2003 After Veto</u>	<u>Percentage Change</u>
GR	\$29,808,922	\$29,911,634	0.3%
FED	125,000	125,000	0%
OTHER	<u>1,214,534</u>	<u>1,214,534</u>	<u>0%</u>
TOTAL	\$31,148,456	\$31,251,168	0.3%
 F.T.E.	 558.13	 560.13	 0.4%

Major Changes

\$102,712 Provides General Revenue funds for 2.00 FTE and expenses for DNA testing.

MAJOR OPERATING BUDGET CHANGES FOR FY 2003

HB 1112 – GENERAL ASSEMBLY

<u>Fund</u>	<u>FY 2002 Appropriation</u>	<u>FY 2003 After Veto</u>	<u>Percentage Change</u>
GR	\$36,651,083	\$34,189,085	(6.7%)
FED	0	0	0%
OTHER	<u>620,800</u>	<u>620,800</u>	<u>0%</u>
TOTAL	\$37,271,883	\$34,809,885	(6.6%)
 F.T.E.	 778.75	 740.75	 (4.9%)

Major Changes

- (\$1,234,711) Provides for a 10% reduction in the core for Senate operations (General Revenue).
- (\$961,498) Provides for a 4.5% reduction in the core for House of Representatives operations (General Revenue).
- (\$235,789) Provides for a 7% reduction in the core for Committee on Legislative Research operations (General Revenue).

SUMMARY OF GOVERNOR'S VETOES
FY 2003 OPERATING BUDGET,
STATEWIDE LEASING, CAPITAL IMPROVEMENTS, & REAPPROPRIATIONS

House	Bill	Department	Section	Amount Vetoed	FTE	Fund	Remarks
	1108	Public Safety	8.170	\$84,550	1.0	FED	For the purpose of funding a new lieutenant colonel position.
	1111	Social Services	11.085	\$62,353	2.0	GR	For the purpose of funding two new supervisor positions and the associated expense and equipment related to the implementation of presumptive eligibility.
				\$28,673		FED	For the purpose of funding two new supervisor positions and the associated expense and equipment related to the implementation of presumptive eligibility.
	1112	Office of the Governor	12.005	\$181,815		GR	For the purpose of correcting a bill drafting error.

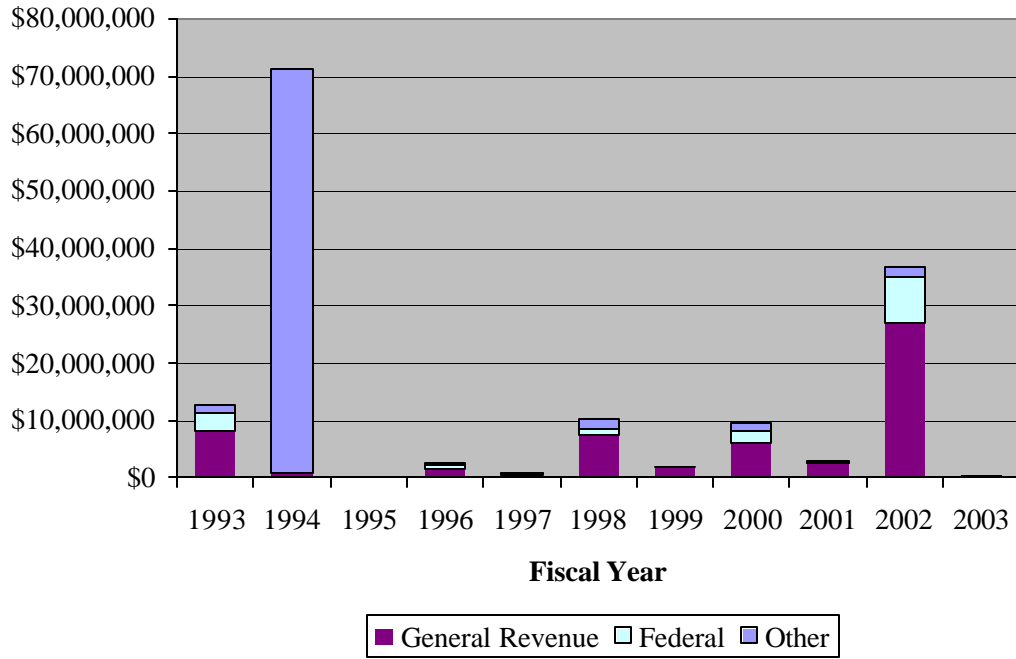
TOTAL FY 2003 VETOES

General Revenue Fund	\$244,168
Federal Funds	113,223
Other State Funds	<u>0</u>
Total of FY 2003 Vetoes	\$357,391*
(FTE)	(3.00)

* There were no vetoes in House Bills 1101 (Public Debt), 1102 (Department of Elementary and Secondary Education), 1103 (Department of Higher Education), 1104 (Departments of Revenue and Transportation), 1105 (Office of Administration), 1106 (Departments of Agriculture, Natural Resources, and Conservation), 1107 (Departments of Economic Development, Insurance, and Labor and Industrial Relations), 1109 (Department of Corrections), 1110 (Departments of Mental Health and Health), 1120 (Capital Improvements including Maintenance and Repair), and 1121 (Reappropriations-Operating).

Governor Veto History

Fiscal Years 1993 - 2003



CONSENSUS STATE REVENUE ESTIMATE & RECEIPTS

FY 2000 thru FY 2003

The consensus revenue estimate calculated by the Office of Administration and the General Assembly attempts to provide an accurate revenue forecast for the upcoming fiscal year, based upon projections of both the national and state economic conditions and trends. The revenue estimate is one of the first areas that is analyzed before the state budget is formulated and is usually finalized in the December preceding the next fiscal year.

CONSENSUS REVENUE ESTIMATE FOR FISCAL YEARS 2002 & 2003 **For NET BASE GENERAL REVENUE COLLECTIONS**

	Original Estimate	Revised Estimate	Original Estimate	Original Est.
	FY 2002	FY 2002(1)	FY 2003(2)	% Change
GENERAL REVENUE:				
Sales & Use Tax	\$1,942,000,000	\$1,826,700,000	\$1,949,600,000	0.39%
Individual Income Tax	4,859,500,000	4,472,300,000	4,824,600,000	-0.72%
Corporate Income Tax	460,000,000	409,100,000	353,000,000	-23.26%
County Foreign Insurance Tax	151,400,000	143,800,000	148,700,000	-1.78%
Liquor Taxes and Licenses	20,500,000	21,000,000	21,000,000	2.44%
Beer Taxes and Licenses	8,300,000	8,200,000	8,400,000	1.20%
Corporate Franchise Tax	72,400,000	69,900,000	76,300,000	(9.50%)
Inheritance/Estate Tax	153,000,000	141,100,000	114,000,000	-25.49%
Interest	60,000,000	42,800,000	50,000,000	(20.00%)
Federal Reimbursements	73,900,000	73,500,000	74,600,000	0.95%
Other Sources	118,000,000	115,000,000	109,000,000	-7.63%
TOTAL GENERAL REVENUE	\$7,919,000,000	\$7,323,400,000	\$7,729,200,000	-2.40%
*Less Refunds	(1,056,300,000)	(1,223,500,000)	(1,110,600,000)	5.14%
NET BASE GENERAL REVENUE	\$6,862,700,000	\$6,099,900,000	\$6,618,600,000	-3.56%

GENERAL REVENUE RECEIPTS FOR FISCAL YEAR 2000, 2001 & 2002 **For NET BASE GENERAL REVENUE COLLECTIONS**

	Receipts FY 2000	Receipts FY 2001	Estimated Receipts FY 2002	FY 2002 vs. FY 2001 % Change
GENERAL REVENUE:				
Sales & Use Tax	\$1,778,013,368	\$1,800,609,285	\$1,816,623,794	0.89%
Individual Income Tax	4,265,956,783	4,585,149,688	4,460,260,038	-2.72%
Corporate Income/Franchise Tax	521,104,170	437,330,887	469,557,169	7.37%
County Foreign Insurance Tax	147,315,302	139,304,124	160,662,218	15.33%
Liquor Taxes and Licenses	20,356,943	20,976,034	21,548,075	2.73%
Beer Taxes and Licenses	8,165,045	8,120,855	8,239,840	1.47%
Inheritance/Estate Tax	132,700,432	156,818,849	136,954,951	-12.67%
Interest	69,497,934	57,122,570	39,200,617	-31.37%
Federal Reimbursements	72,185,042	72,415,612	99,255,651	37.06%
Other Sources	117,586,057	113,329,206	115,069,040	1.54%
TOTAL GENERAL REVENUE	\$7,132,881,076	\$7,391,177,110	\$7,327,371,393	-0.86%
*Less Refunds	(999,594,487)	(1,001,577,716)	(1,116,640,512)	11.49%
NET BASE GENERAL REVENUE	\$6,133,286,589	\$6,389,599,394	\$6,210,730,881	-2.80%

(1) Source: Office of Administration (does not include Transfers to General Revenue)

(2) Source: Governor's FY 2002 Executive Budget (does not include Transfers to General Revenue)

* Per section 136.035, RSMo, the Department of Revenue will pay refunds on any overpayment or erroneous payment of tax that the state collects. This includes, but may not be limited to, refund claims for senior citizens, sales, income, withholding, corporate, and other refunds.

FY 2003 REVENUE PACKAGE

(SB 1248)

In an effort to pass a balanced budget for FY 2003, the General Assembly crafted a revenue enhancement bill in the final week of the 2002 session. It is estimated that this bill, SB 1248, will generate approximately \$114.1 million. Of this amount, the first \$89 million displaces general revenue appropriated to the foundation formula. Any revenue above \$89 million, but below \$132 million provides additional funding for the foundation formula. Any amount generated above \$132 million is credited to general revenue.

CCS/HS/HCS/SS/SCS/SB 1248

CALCULATION OF INTEREST ON REFUNDS: Requires the State Treasurer to calculate quarterly an annual rate of interest equal to the average rate of return on all funds invested by the State Treasurer. This calculated interest rate will be applied to situations for which Missouri pays interest to parties on various overpayments received by the state. Under current law, interest applied to most overpayments is based on the adjusted prime rate charged by banks (Section 32.068). **ESTIMATED REVENUE: \$0**

INTEREST ON REFUNDS: Allows interest to be paid on state tax refunds or overpayments only if payment is delayed for more than 120 days (Section 32.069). **ESTIMATED REVENUE: \$6,000,000**

TAX AMNESTY PROGRAM: Requires that amnesty shall be granted for all interest and additions to tax with respect to unpaid taxes that are paid in full between August 1, 2002, and October 31, 2002; such amnesty shall not apply to persons involved in a criminal or civil litigation related to the tax liability (Section 136.320). **ESTIMATED REVENUE: \$20,000,000**

DECOUPLE FROM FEDERAL ACCELERATED COST RECOVERY: Returns the current income tax law regarding tangible property depreciation to pre-March 2002 law in reference to the September 11, 2001, terrorist attacks; this section only affects items purchased between July 1, 2002 and June 30, 2003 (Section 143.121). **ESTIMATED REVENUE: \$27,000,000**

NET OPERATING LOSS: Prevents the federal NOL carry forward and carry back change from affecting Missouri; maintains the current 20 year carry forward and two year carry back (Section 143.121). **ESTIMATED REVENUE: \$0**

INTEREST ON TAX CREDIT CARRY BACK: Eliminates interest on tax credit carry backs claimed by amended returns (Section 143.811). **ESTIMATED REVENUE: \$6,000,000**

LOTTERY WINNINGS CLAIM PERIOD: Changes the period for claiming lottery winnings from one year to 6 months (Section 313.300). **ESTIMATED REVENUE: \$2,000,000**

LOTTERY FUND TRANSFER: Provides for a transfer of reserve funds from the State Lottery Fund to the Schools of the Future Fund on July 1, 2002 (Section 313.301). **ESTIMATED REVENUE: \$5,000,000**

PROVIDER TAX FOR PRESCRIPTIONS: Imposes a tax upon licensed retail pharmacies in Missouri for the privilege of providing outpatient prescription drugs; an increase to the provider fee is implemented to offset this tax increase (Chapter 338). **ESTIMATED REVENUE: \$31,500,000**

ESTATE ESCHEAT FUND: Accelerates transfers of monies from courts into the abandoned property fund where they may be transferred to general revenue; the rightful owner of funds in the Abandoned Property Fund has a right to such money at all times (Section 447.532 & Chapter 470). **ESTIMATED REVENUE: \$6,600,000**

UNCLAIMED PROPERTY TIME LIMIT: Accelerates unclaimed property transfers from state entities to state treasurer from five or seven years to three; clarifies that monies held by courts include receiverships and custodianships; property seized and held by police is transferred to unclaimed property fund if not forfeited or claimed by owner (Sections 447.532 & 470.270 & 542.301) **ESTIMATED REVENUE: \$10,000,000**

TOTAL ESTIMATED REVENUES: \$114,100,000

ELEMENTARY AND SECONDARY EDUCATION SCHOOL FUNDING

(HB 1711)

HB 1711 changes two definitions in the section of law establishing the elementary and secondary foundation formula:

- adds a definition of "district equalized assessed evaluation" to the definitions that are used in interpreting the state school funding formula. The definition averages a district's assessed valuation from the first and second preceding years. Prior law just took the valuation from the first preceding year.
- revises the definition of "guaranteed tax base" to encompass the average of the third and fourth preceding years, instead of basing the amount on only the third preceding year, as in current law.

The impact of these changes is to take out the peaks and valleys regarding the increases in the cost of the formula. A major factor creating increases in the cost of the formula is the increase in the state's total assessed valuation (among other things, such as number of students, etc.) Before HB 1711, the cost of the formula would jump every two years with reassessment. For example, the FY 2002 increase was about \$80 million, then the FY 2003 increase was about \$250 million.

The HB 1711 changes decreased the FY 2003 cost of "full funding" to about \$170 million from about \$250 million. However, it will then increase what would have been needed to "fully fund" the formula in FY 2004. (Additionally, not fully funding in FY 2003, and using one-time money in the FY 2003 formula from SB 1248 will significantly increase the amount of new money needed to fully fund the formula in FY 2004.)

The net result for any particular school district is that over any given two year period, and given the same appropriation level, it will receive the same amount with the HB 1711 change than it would have without the change.

TOBACCO SECURITIZATION

(SB 1191)

In 2002, the General Assembly passed SB 1191 allowing the State to sell up to thirty percent of the tobacco master settlement agreement (MSA) proceeds. The selling of anticipated future periodic income in exchange for a lump sum payment is known as securitization. The powers of authority are vested in a board, known as the Tobacco Settlement Financing Authority (Authority), consisting of the Governor, Lieutenant Governor, and the Attorney General. The President Pro Tem of the Senate, the Speaker of the House of Representatives, and the Treasurer serve as ex officio members of the authority, with the Office of Administration providing staff assistance.

An Advisory Committee on Tobacco Securitization is also created as a joint committee of the General Assembly. The Committee consists of five members from each body of the General Assembly. In addition, the Committee studies and recommends financial advisors, investment bankers and other professional advisors to the Authority. The Committee is required to submit a written report within 60 days of passage of SB 1191 and by December 31st annually. The Committee shall also study and provide a written report by December 31st of each year to the Authority detailing suggested allowable projects and payments for which money from the tobacco securitization settlement trust fund may be used in the next appropriation cycle.

The State of Missouri will sell a portion of the future MSA payments to the Authority who will in turn sells bonds using the yearly MSA payments to repay the bonds. The State of Missouri is not liable to the bondholders in the event the Authority's share of the MSA revenues are insufficient to retire the bonds. Proceeds from the sale of the bonds shall be deposited into a tobacco securitization settlement trust fund. This fund will then be appropriated for authorized projects such as one-time expenditures, short-term revenue shortfalls, and capital projects. No more than \$175 million (plus carryover amounts) of the net proceeds may be used in any one fiscal year.

ESTIMATED FISCAL IMPACT OF LEGISLATION FOR FY 2003 – FY 2005

One hundred two Senate Bills, one hundred twelve House Bills, one Senate Joint Resolution, twelve Senate Concurrent Resolutions, one House Joint Resolution, and sixteen House Concurrent Resolutions were “Truly Agreed To and Finally Passed” during the 91st General Assembly, 2nd Regular Session, (2002). The Governor vetoed four Senate Bills and three House Bills.

Presented below is a summary of the estimated fiscal impact over the next three fiscal years (2003-2005) of the legislation passed by the General Assembly, excluding bills vetoed by the Governor. Numbers shown in parentheses, such as (100,000), represent a new cost to the respective fund. Positive numbers, such as 100,000, indicate income, cost avoidance or savings to the respective fund. Numbers shown in brackets, such as <100,000>, represent a loss of revenue, for example a reduction in taxes, to the respective fund.

The summary is based on information taken from the fiscal notes prepared for each bill by the Oversight Division, Committee on Legislative Research. Numbers do not include appropriations bills. When the fiscal impact of a bill included a range, the higher figure for costs and losses and the lower figure for income were used in calculating the fiscal impact. Actual costs may be higher or lower, depending on the actual appropriations.

	FY 2003	FY 2004	FY 2005
General Revenue:			
New Costs	\$(269,393,117)	\$(95,092,274)	\$(11,377,055)
Cost Avoidance/Savings	656,665,289	16,727,748	3,954,251
Loss of Revenue	<304,246>	<641,095>	<641,095>
Federal Funds:			
New Costs	(419,071,006)	(467,928,558)	(544,952,688)
Cost Avoidance/Savings	418,863,126	467,795,924	471,362,980
Loss of Revenue	<0>	<0>	<0>
Other Funds:			
New Costs	(664,398,784)	(274,185,328)	(326,398,202)
Cost Avoidance/Savings	763,063,414	732,213,119	785,175,183
Loss of Revenue	<4,167>	<5,000>	<5,000>
NET EFFECT	\$485,420,509	\$378,884,536	\$377,118,374

Detailed information on individual bills, including the fiscal note, can be obtained by contacting the Senate Appropriations Staff or accessing the Senate web page at www.senate.state.mo.us and the House web page at www.house.state.mo.us.

MISSOURI STATE CAPITAL IMPROVEMENTS APPROPRIATIONS HISTORY: FY 1979 - FY 2003

Appropriation for Maintenance & New Construction					Maintenance by Fund Source				New Construction by Fund Source			
Fiscal Year	Maintenance & Repair	New Construction	ADA* Capital Improve.	Total Capital Improve.	General Revenue	Third State Building Fund	Fourth State Building Fund	Other	General Revenue	Third State Building Fund	Fourth State Building Fund	Other
1979	15,538,125	76,579,632	n/a	92,117,757	0	0	n/a	15,538,125	(81,672,696)	0	n/a	158,252,328
1980 ¹	17,606,024	85,285,841	n/a	102,891,865	0	0	n/a	17,606,024	(92,446,804)	0	n/a	177,732,645
1981	22,024,178	125,489,921	n/a	147,514,099	18,260,317	0	n/a	3,763,861	(137,069,038)	0	n/a	262,558,959
1982	11,555,707	34,735,838	n/a	46,291,545	4,961,672	0	n/a	6,594,035	(35,846,484)	0	n/a	70,582,322
1983 ²	44,659,002	100,370,242	n/a	145,029,244	15,355,252	27,000,000	n/a	2,303,750	(134,584,183)	48,000,000	n/a	186,954,425
1984 ³	42,500,000	37,461,900	n/a	79,961,900	0	42,500,000	n/a	0	(69,516,839)	7,500,000	n/a	99,478,739
1985	34,000,000	170,941,858	n/a	204,941,858	0	34,000,000	n/a	0	(194,496,797)	41,000,000	n/a	324,438,655
1986	80,031,920	464,859,605	n/a	544,891,525	0	80,000,000	n/a	31,920	(534,446,464)	320,000,000	n/a	679,306,069
1987	32,420,658	93,887,074	n/a	126,307,732	29,040,358	650,000	n/a	2,730,300	26,946,874	0	n/a	66,940,200
1988	36,762,491	74,438,519	n/a	111,201,010	3,201,891	29,750,000	n/a	3,810,600	12,184,480	5,250,000	n/a	57,004,039
1989	25,029,217	98,045,830	n/a	123,075,047	7,271,317	11,050,000	n/a	6,707,900	30,411,575	0	n/a	67,634,255
1990	25,438,134	75,556,935	n/a	100,995,069	13,360,320	8,095,900	n/a	3,981,914	12,410,583	3,863,776	n/a	59,282,576
1991	20,559,118	51,615,393	n/a	72,174,511	8,783,287	9,174,488	n/a	2,601,343	2,613,165	4,029,944	n/a	44,972,284
1992	6,077,412	51,026,239	n/a	57,103,651	102,000	4,278,421	n/a	1,696,991	5,842,469	1,678,665	n/a	43,505,105
1993	13,451,045	101,518,881	n/a	114,969,926	7,223,888	1,487,500	n/a	4,739,657	56,772,257	262,500	n/a	44,484,124
1994	15,105,914	69,432,398	38,507,704	123,046,016	5,323,903	0	n/a	9,782,011	17,790,470	0	n/a	51,641,928
1995	21,062,406	391,155,679	n/a	412,218,085	13,486,681	1,004,084	n/a	6,571,641	6,243,178	994,836	250,000,000	133,917,665
1996-97 ⁴	45,979,315	363,397,366	n/a	409,376,681	33,338,894	0	0	12,640,421	192,356,673	0	0	171,040,693
1997	0	362,195,578	n/a	362,195,578	0	0	0	0	326,671,012	0	0	35,524,566
1998-99	60,158,925	490,660,340	1,124,000	551,943,265	26,146,444	1,402,500	0	32,609,981	247,900,896	247,500	4,150,000	239,485,944
1999	0	185,866,273	n/a	185,866,273	0	0	0	0	148,596,895	0	0	37,269,378
2000-01	59,269,229	485,464,477	2,000,951	546,734,657	2,677,106	0	0	56,592,123	90,851,785	0	11,824,800	384,788,843
2001	0	161,449,378	0	161,449,378	0	0	0	0	155,259,154	0	0	6,190,224
2002-03	89,978,254	74,532,065	0	164,510,319	70,311,606	0	0	19,666,648	6,916,295	0	0	67,615,770
2003	0	5,807,645	0	5,807,645	0	0	0	0	0	0	0	5,807,645

¹ Fiscal Year 1980 includes \$49,150,000 for Truman State Office Building vetoed by the Governor (veto overridden).

² Fiscal Year 1983 includes appropriations from the 1983 Special Session.

³ Fiscal Year 1984 includes appropriations from the 1984 Special Session.

⁴ Fiscal Year 1996 biennial appropriations implemented.

*ADA – Americans with Disabilities Act

STATE OF MISSOURI
GENERAL REVENUE FUND
ESTIMATED REVENUES, EXPENDITURES AND TRANSFERS
June 30, 2002

REVENUES AND TRANSFERS IN REVENUES:	Twelve Months Ended <u>June 30, 2001</u>	Twelve Months Ended <u>June 30, 2002</u>	Increase % (Decrease)
Sales and Use Tax	\$1,808,809,285	\$1,816,833,628	0.4%
Individual Income Tax	4,582,649,687	4,460,244,891	-2.7%
Corporate Income Tax/Franchise Tax	437,790,887	469,531,695	7.3%
County Foreign Insurance Tax	138,764,124	160,662,218	15.8%
Liquor Taxes and Licenses	20,976,034	21,548,075	2.7%
Beer Taxes and Licenses	8,120,855	8,239,840	1.5%
Inheritance Tax	156,818,849	136,954,951	-12.7%
Miscellaneous Tax	10,049,253	12,724,266	26.6%
Interest on Deposits, Taxes and Investments	57,822,570	39,202,028	-32.2%
Licenses, Fees and Permits	58,325,064	64,183,160	10.0%
Sales, Services, Leases and Rentals	83,481,191	100,778,222	20.7%
Refunds	11,704,893	12,502,822	6.8%
Interagency Billings/Inventory	911,329	7,041,973	672.7%
All Other Sources	63,543,089	17,128,126	-73.0%
Total Revenues	7,439,767,110	7,349,123,970	-1.2%
Total Transfers In	861,761,263	977,766,271	13.5%
TOTAL REVENUES AND TRANSFERS IN	8,301,528,373	8,326,890,241	0.3%
EXPENDITURES AND TRANSFERS OUT:			
Expenditures	5,170,045,662	5,041,580,759	-2.5%
Transfers Out	3,027,553,444	3,377,030,961	11.5%
TOTAL EXPENDITURES AND TRANSFERS OUT	8,197,599,106	8,418,611,720	2.7%
EXCESS REVENUES AND TRANSFERS IN (EXPENDITURES AND TRANSFERS OUT)	\$103,929,267	(\$91,721,479)	

Source: The information provided was taken from the Financial Summary dated June 30, 2001, prepared by the Office Of Administration, Division of Accounting; FY 2002 information from Data Warehouse

Section II

Topics of Interest

Tax Credit Analysis

Tax credits have been a part of Missouri's tax system for decades. For instance, the Neighborhood Assistance Credit became effective in 1978. During the mid-to-late 1990s, however, Missouri experienced significant revenue growth that triggered successive years of Article X refunds to taxpayers. Along with cutting taxes, the General Assembly passed numerous tax credit programs to restrain revenue growth under the Article X revenue cap and affect certain public policies. Below are 21 tax credits with effective dates of 1998 or later:

Charcoal Producers Credit (135.313 RSMo)
Historic Preservation Credit (253.545 RSMo)
Maternity Home Credit (135.600 RSMo)
Shelters for Victims of Domestic Violence Credit (135.550 RSMo)
Sponsorship and Mentoring Credit (135.348 RSMo)
Film Production Credit (620.1039 RSMo)
Grape Grower/Wine Producer Credit (135.700 RSMo)
MOSTARS Higher Education Savings Program Credit (173.775-796 RSMo)
Rebuilding Communities Credit (135.535 RSMo)
Missouri Individual Training Account Program Credit (620.1400-1460 RSMo)
Transportation Development Credit (135.545 RSMo)
Agricultural Product Utilization Contributor Credit (348.414 RSMo)
Family Development Creation Credit (620.1560 RSMo)
New Enterprise Creation Credit (620.635-653 RSMo)
New Generation Cooperative Incentive Credit (348.414 RSMo)
Pharmaceutical Income Tax Credit (135.095 RSMo) – *repealed*
Shared Care Tax Credit (660.053-055 RSMo)
ADA Compliance Tax Credit (135.490 RSMo)
Mature Worker Child Care Credit (620.1560 RSMo)
Strategic Initiative Investment Income Tax Refund Credit (135.270 RSMo)
Rebuilding Communities and Neighborhood Preservation Act Credit (135.535 RSMo)

Through the addition and/or expansion of tax credit programs, the amount of tax credits redeemed has grown significantly over the past several years. According to information provided by the Department of Revenue:

- Tax credits cost to the State Treasury for FY 2002 (\$297 million) actually **declined** from FY 2001 (\$343 million).
- Tax credits cost to the State Treasury has grown from \$102 million in FY 1998 to \$297 million in FY 2002.
- In the past 5 fiscal years (1998-2002), tax credits have cost the State Treasury \$1.13 billion.

The following table provides further detail on Missouri's tax credit costs to the State Treasury from FY 1998 through FY 2002.

TAX CREDIT ANALYSIS - Redeemed Tax Credits w/ Department of Revenue & Insurance
Fiscal Impact to Treasury for Month Ending June 30, 2002

	June		Year-to-Date		Fiscal Year Comparison				
	FY 2001	FY 2002	FY 2001	FY 2002	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
<u>Tax Credits Redeemed by Tax Category</u>									
Corporate Income Tax	1,960,153	816,937	72,860,912	73,271,172	45,383,635	50,371,262	78,737,967	72,860,912	73,271,172
Fiduciary Tax	-	49,988	54,013	188,234	1,924	3,250,078	2,704,322	54,013	188,234
Financial Tax	29,854	51,953	3,038,924	5,287,706	3,213,899	1,337,567	4,253,056	3,038,924	5,287,706
Franchise Tax	344,023	19,781	3,652,981	2,899,711	3,460,966	5,855,690	2,952,422	3,652,981	2,899,711
Individual Income Tax	21,256,155	31,549,698	252,134,676	206,172,658	41,967,164	66,535,273	159,242,242	252,134,676	206,172,658
Withholding Tax	843,688	-	11,542,521	9,864,792	8,669,495	9,190,424	10,888,919	11,542,521	9,864,792
	24,433,873	32,488,357	343,284,026	297,684,273	102,697,083	136,540,294	258,778,928	343,284,027	297,684,273
<u>Tax Credits Redeemed by Major Tax Credit</u>									
Senior Citizen Circuit Breaker	3,669,889	15,370,667	101,523,060	85,901,461	25,241,004	52,351,205	56,623,024	101,523,060	85,901,461
Pharmaceutical Tax Credit	6,672,796	12,415,511	75,816,984	63,686,262	-	-	64,769,057	75,816,984	63,686,262

Increases/Decreases - FY 2001 to FY 2002

Historic Preservation (Individual, Corporate & Other)	33,169,950	32,810,273	-1.08%
Senior Citizen Circuit Breaker (Individual)	101,523,060	85,901,461	-15.39%
Pharmaceutical Tax Credit (Individual)	75,816,984	63,686,262	-16.00%
Certified Capital Co. (CAPCO) - (Corporate/Insurance)	12,569,860	12,246,345	-2.57%
Qualified Research Expense (Individual, Corporate & Other)	8,246,960	5,874,157	-28.77%
Rebuilding Communities (Individual, Corporate & Other)	1,008,031	2,888,846	186.58%
Low Income Housing (Individual, Corporate & Other)	11,747,808	14,820,240	26.15%
Remediation Tax Credit (Individual, Corporate & Other)	4,517,217	7,987,801	76.83%

Notes:

Enterprise Zone income adjustment credits are estimated at 6% of the amount issued to determine cost to the treasury.

In FY 2000, the pharmaceutical tax credit was coded into the circuit breaker and individual income tax objects then adjusted at fiscal year end.

Analysis does not include the following credits issued to insurance companies: Income/Franchise Tax, Examination Fees, Valuation

Fees, Registration Fees, Health Pool, Personal Property Tax, MO Property & Casualty Guarantee, and the MO Life & Health Guarantee

Both the Senior Citizen Circuit Breaker and Pharmaceutical Tax Credit were delayed through Refunds being placed on hold in May 2002.

TOBACCO SETTLEMENT PROCEEDS

In 1997, the state of Missouri sued 18 tobacco companies on the basis of violations of the Missouri Merchandising Act and antitrust laws, as well as for reimbursement for health care costs and a variety of other claims. In November 1998, Missouri entered into the Master Settlement Agreement ("MSA") in resolution of the litigation in the Circuit Court of the City of St. Louis. Missouri agreed to dismiss all claims in exchange for a series of monetary payments, continued for at least 25 years, and non-monetary benefits, such as a prohibition against certain tobacco advertising. The court approved the settlement on March 5, 1999. Several parties, including public hospitals and other political subdivisions of the state, appealed the MSA and the denial of motions to intervene in the case at the trial level. The Missouri Court of Appeals, Eastern District, upheld the decision of the trial court to approve the settlement, and the Missouri Supreme Court accepted the transfer of the appeal. The Missouri Supreme Court issued its opinion approving the settlement on December 12, 2000.

Settlement Proceeds

The MSA provides that tobacco companies will make payments into an escrow account from which moneys will be disbursed to the state. Missouri's share is estimated at \$4.5 billion over 25 years. This estimate includes adjustments, reductions and offsets, which are calculated on a yearly basis. A schedule of payments and the estimated revenues is shown below. In 2002, the General Assembly passed SB 1191 authorizing the State of Missouri to sell a portion of the future proceeds, up to thirty percent. Please see page 39 for an explanation of securitization.

<u>Fiscal Year</u>	<u>Amount (in millions of dollars)</u>
FY 2001	\$ 338.7 (actual)
FY 2002	\$ 168.6 (actual)
FY 2003	\$ 164.4
FY 2004	\$ 143.4
FY 2005	\$ 144.8
FY 2006	\$ 146.3
FY 2007	\$ 147.7
FY 2008	\$ 164.7
FY 2009	\$ 166.4
FY 2010-2025	<u>\$2,954.0</u>
Total	\$4,539.0

Executive Order

The Governor issued an Executive Order (01-05) on February 12, 2001 creating a Health Families Trust Fund within the state treasury.

The Executive Order created 5 accounts within the Fund: Early Childhood Care and Education Account; Life Sciences Research Account; Tobacco Prevention, Education and Cessation Account; Health Care Treatment and Access Account; and Senior Catastrophic Prescription Drug Account. The Executive Order did not appropriate any funds or dictate any percentages for funding allocations to any account. It directed the Office of Administration to receive and expend tobacco settlement money in accordance with the budget submitted to the General Assembly as amended and truly agreed to and finally passed bills signed by the Governor.

FY 2002 Expenditures

Due to budget shortfalls that occurred during Fiscal Year 2002, much of the tobacco settlement monies were withheld from the programs they were appropriated for and subsequently transferred to General Revenue. Final expenditures amounts are as follows:

Health Care	\$ 79.2 million
Early Childhood	\$ 9.7 million
Life Sciences	\$.4 million
Tobacco Prevention	\$.7 million
Prescription Drugs	\$ 63.2 million
Endowment Fund	\$ 0
Cost Allocation Plan	\$ 2.5 million
Transfer to GR	<u>\$ 228.3 million</u>
Total	\$ 384.0 million

FY 2003 Appropriations

The following appropriation amounts are for Fiscal Year 2003:

Health Care	\$ 53.8 million
Early Childhood	\$ 0
Life Sciences	\$ 0
Tobacco Prevention	\$.4 million
Prescription Drugs	\$ 20.4 million
Cost Allocation Plan	\$ 2.5 million
Transfer to GR	<u>\$ 89.4 million</u>
Total	\$166.5 million

BUDGET RESERVE FUND

Legal Basis: Article IV, Section 27 (a) of the Missouri Constitution

Description: The fund was authorized by constitutional amendment on the November 7th 2000 ballot. The amendment required the transfer of the fund balances from the Cash Operating Reserve Fund and the Budget Stabilization Fund to the newly created Budget Reserve Fund. The Budget Reserve Fund is exempt from the biennial transfer of the balance and earned interest to the General Revenue Fund.

Purpose: The fund can be used for cash flow insufficiencies or budget stabilization.

Cash Flow Insufficiencies – The Commissioner of Administration may transfer amounts from the Budget Reserve Fund to any state fund if the fund balance is insufficient to maintain appropriated levels. Any cash flow transfers must be repaid to the Budget Reserve Fund, with interest, on or before May 15th of the fiscal year.

Budget Stabilization – If the Governor reduces a department's appropriation level due to a revenue shortfall, or if funds are required to assist the state due to a disaster, the Governor may request appropriations from the Budget Reserve Fund.

The General Assembly must approve the request with a two-thirds vote from both houses.

No more than one-half of the fund balance may be appropriated for this purpose at any one time.

A minimum of one-third of the amount appropriated must be repaid, with interest, in each of the three following fiscal years.

Fund Balance Limits: The fund's balance is capped at 7.5% of net general revenue receipts or 10% if approved by the General Assembly for the purpose of increasing the fund balance.

Net general revenue collections are defined as "all revenue deposited into the General Revenue Fund less refunds and revenues originally deposited into general revenue but designated by law for specific distribution or transfer to another state fund."

Excesses above the caps are transferred back to the General Revenue Fund. If the balance is less than 7.5% then the difference stands appropriated and transferred from the General Revenue Fund to the Budget Reserve Fund.

FUND BALANCES AS OF JUNE 30TH OF FISCAL YEAR

	Budget Stabilization Fund	Cash Operating Reserve Fund	Budget Reserve Fund	<u>TOTAL</u>
1985	0	130,000,000	0	130,000,000
1986	0	139,274,691	0	139,274,691
1987	0	147,031,658	0	147,031,658
1988	0	152,263,244	0	152,263,244
1989	0	163,447,214	0	163,447,214
1990	0	177,694,086	0	177,694,086
1991	52	186,063,790	0	186,063,842
1992	17,184,602	186,984,083	0	204,168,685
1993	24,722,740	193,067,523	0	217,790,263
1994	36,981,5090	202,243,756	0	239,225,265
1995	23,699,999	212,987,699	0	236,687,698
1996	29,032,747	232,375,970	0	261,408,717
1997	121,444,844	245,143,210	0	366,588,054
1998	128,169,446	261,985,315	0	390,154,761
1999	135,293,029	278,468,808	0	413,761,837
2000	142,777,246	293,425,824	0	436,203,070
2001	0	0	451,979,500	451,979,500
2002	0	0	469,923,936	469,923,936

Calculation of Total State Revenue

In November, 1980, Missouri citizens approved an amendment to Article X of the Missouri Constitution limiting the amount of tax revenue the State may collect in any fiscal year. The amendment, referred to as the Hancock Amendment, established a ratio between personal income and total state revenues for fiscal year 1981 and used that ratio to set the Total State Revenue (TSR) limit for subsequent years.

The ratio is .056395. For FY 2003, this ratio is applied to the United States Department of Commerce's calculation of Missouri personal income for calendar year 2001 to establish the fiscal year 2003 revenue limit.

The Hancock Amendment defines total state revenues as "all general and special revenues, license and fees, excluding federal funds as defined in the budget message of the Governor for fiscal year 1980-1981." Because the limit is actually on the General Assembly's power of taxation, revenues generated by taxes approved by voters after the adoption of the amendment are excluded from the calculation of TSR. Revenues generated by any agency acting on voter approval, i.e., the Missouri Lottery, are excluded. Also, the calculation excludes refunds of any tax included in TSR.

If in any fiscal year, TSR exceeds the limit by 1% or more, the amount of the excess is to be refunded pro rata based on the taxpayer income tax liability reported on the annual Missouri income tax returns filed in the following year. If the limit is exceeded by an amount of less than 1%, the excess is transferred to the General Revenue Fund.

In any fiscal year, the revenue limit may be exceeded if: the Governor asks the General Assembly to declare an emergency and the nature of the emergency and its cost to the state are clearly specified by the Governor; and the General Assembly declares an emergency by a two-thirds majority vote. The emergency must be declared prior to the expenditure of any "excess" revenue. Refunds resulting from provisions of the amendment cannot be the subject of any request to declare an emergency.

The Hancock Amendment includes further provisions limiting tax increases of political subdivisions and limits state government's flexibility to reduce support or impose new responsibilities on to local governments. This material is beyond the scope of this text. Interested persons should refer to the Missouri Constitution, Article X, §§ 21 and 22.

The Tobacco Master Settlement Agreement Proceeds have been determined by the Office of Administration – Budget and Planning to be recovery costs for Medicaid expenses related to smoking and, therefore, exempted from Total State Revenue. This issue faces a likely court challenge and the following page contains two charts illustrating Total State Revenue with and without tobacco proceeds included in the total.

The following page contains the calculation of TSR for fiscal years 1995 through 2002, with estimated amounts for fiscal years 2003-2005 and shows the relationship between TSR and the revenue limit.

TOTAL STATE REVENUE PROJECTIONS											
	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	Estimated FY 2003	Estimated FY 2004	Estimated FY 2005
TOTAL STATE REVENUE (TSR)	5,952.2	6,386.9	6,908.7	7,155.1	7,343.7	7,371.7	7,739.6	8,116.3	8,396.7	8,643.9	9,089.4
(Conservation \$ included 1995: \$69.61, 1996: \$73.06, 1997: \$76.3)											
REVENUE LIMIT AND REFUND THRESHOLD (Base Ratio .056395)											
Revenue Limit	5,804.6	6,151.7	6,584.5	6,988.4	7,244.8	7,751.9	8,186.3	8,577.9	8,794.8	9,107.5	9,577.0
1 percent adjustment	58.0	61.5	65.8	69.9	72.4	77.5	81.9	85.8	87.9	91.1	95.8
Refund Threshold	5,862.6	6,213.2	6,650.3	7,058.3	7,317.3	7,829.4	8,268.2	8,663.7	8,882.8	9,198.6	9,672.8
REFUND CALCULATION											
TSR	5,952.2	6,386.9	6,908.7	7,155.1	7,343.7	7,371.7	7,739.6	8,116.3	8,396.7	8,643.9	9,089.4
Less refund threshold	5,862.6	6,213.2	6,650.3	7,058.3	7,317.3	7,829.4	8,268.2	8,663.7	8,882.8	9,198.6	9,672.8
Over (under) threshold	89.6	173.7	258.4	96.9	26.4	(457.7)	(528.6)	(547.4)	(486.0)	(554.7)	(583.3)
1 percent adjustment	58.0	61.5	65.8	69.9	72.4	n/a	n/a	n/a	n/a	n/a	n/a
REFUND	147.6	235.2	324.2	166.7	98.9	No Refund	No Refund	No Refund	No Refund	No Refund	No Refund
ACTUAL REFUND *	147.1	229.1	318.8	178.8	98.9	No Refund	No Refund	No Refund	6.0	No Refund	No Refund
Difference with Adjusted Refund	(0.5)	(6.1)	(5.4)	12.1	0.0	No Refund	No Refund	No Refund	No Refund	No Refund	No Refund
* includes \$12.1 million for final determination by the Missouri Supreme Court in Kelly v. Hanson for FY 1995 to FY 1997; \$6 million refund in FY 2003 for tax credits not related to tax liability as determined by the Missouri Supreme Court in Missouri Merchants and Manufacturers Association v. State of Missouri											
Notes: Projections for both TSR and Personal Income have been revised downward by 2% in FY 2003 and 1% in FY 2004 and FY 2005.											

TOTAL STATE REVENUE PROJECTIONS - Including Tobacco Settlement Revenues											
	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	Estimated FY 2003	Estimated FY 2004	Estimated FY 2005
TOTAL STATE REVENUE (TSR)	5,952.2	6,386.9	6,908.7	7,155.1	7,343.7	7,371.7	7,739.6	8,116.3	8,568.1	8,911.2	8,911.2
Tobacco Settlement Payment Estimate							338.2	162.4	164.0	143.4	144.8
Adjusted TSR	5,952.2	6,386.9	6,908.7	7,155.1	7,343.7	7,371.7	8,077.8	8,278.7	8,732.1	9,054.6	9,056.0
REVENUE LIMIT AND REFUND THRESHOLD (Base Ratio .056395)											
Revenue Limit	5,804.6	6,151.7	6,584.5	6,988.4	7,244.8	7,751.9	8,186.3	8,577.9	8,974.3	9,389.2	9,389.2
1 percent adjustment	58.0	61.5	65.8	69.9	72.4	77.5	81.9	85.8	89.7	93.9	93.9
Refund Threshold	5,862.6	6,213.2	6,650.3	7,058.3	7,317.3	7,829.4	8,268.2	8,663.7	9,064.0	9,483.1	9,483.1
REFUND CALCULATION											
TSR	5952.2	6386.9	6908.7	7155.1	7343.7	7371.7	8077.8	8278.7	8732.1	9054.6	9056.0
Less refund threshold	5862.6	6213.2	6650.3	7058.3	7317.3	7829.4	8268.2	8663.7	9064.0	9483.1	9483.1
Over (under) threshold	89.6	173.7	258.4	96.9	26.4	(457.7)	(190.4)	(385.0)	(331.9)	(428.5)	(427.1)
1 percent adjustment	58.0	61.5	65.8	69.9	72.4	n/a	n/a	n/a	n/a	n/a	n/a
REFUND	147.7	235.3	324.3	166.7	98.9	No Refund	No Refund	No Refund	No Refund	No Refund	No Refund
ACTUAL REFUND*	147.1	229.1	318.8	178.8	98.9	No Refund	No Refund	No Refund	6.0	No Refund	No Refund
Difference with Adjusted Refund	(0.6)	(6.2)	(5.5)	12.1	0.0	No Refund	No Refund	No Refund	No Refund	No Refund	No Refund
* includes \$12.1 million for final determination by the Missouri Supreme Court in Kelly v. Hanson for FY 1995 to FY 1997; \$6 million refund in FY 2003 for tax credits not related to tax liability as determined by the Missouri Supreme Court in Missouri Merchants and Manufacturers Association v. State of Missouri											
Notes: Projections for both TSR and Personal Income have been revised downward by 2% in FY 2003 and 1% in FY 2004 and FY 2005.											

State of Missouri Bonded Indebtedness

The General Assembly is authorized by constitutional and statutory provisions to authorize the issuance of debt for various purposes. The Board of Fund Commissioners and the Board of Public Buildings are responsible for managing the state's issuance of general obligation instruments and revenue bonds, respectively. In addition, the General Assembly has created several financing authorities responsible for raising capital via debt issuance for specific purposes.

General Obligation Instruments

The State of Missouri presently has several outstanding issues of Water Pollution Control (WPC), Third State Building (TSB), Fourth State Building (FSB), and Stormwater Control Bonds (SWB) general obligation bonds. WPC bonds provide funding for various projects aimed at protecting the environment through the control of water pollution. TSB bonds provide funding for necessary improvements to state buildings and property. FSB bonds provide funding for improvements of buildings and property of higher education institutions, the Department of Corrections, and the Division of Youth Services. SWB bonds provide funds for state use to protect the environment through the control of stormwaters. All are secured by a pledge of the full faith and credit of the state of Missouri.

The Constitution of the State of Missouri establishes limits for WPC, TSB and FSB bonds. The constitutional limit on WPC bonds is \$725 million (Article III, § 37(b), 37(c), 37(e), Missouri Constitution). The constitutional limit on TSB bonds is \$600 million (Article III, § 37(d), Missouri Constitution). The constitutional limit on FSB bonds is \$250 million (Article III, § 37(f), Missouri Constitution). The constitutional limit on SWB bonds is \$200 million (Article III, § 37(h)). The amount of WPC bonds that remain authorized but not yet issued is \$210,505,760. All third and fourth state building bonds have been issued. The amount of SWB bonds that remain authorized but not yet issued is \$170,000,000. There is no remaining amount of authorization to be issued for the TSB and FSB bonds.

The Board of Fund Commissioners may issue additional WPC and TSB bonds for the purpose of refunding prior issues at lower rates of interest. Principal amounts of the refunding issues are not subject to the respective constitutional limits.

Revenue Bonds

Upon approval of the General Assembly, the Board of Public Buildings is authorized to issue revenue bonds for state building projects to house state agencies. The Department of Natural Resources (DNR) is also authorized to issue revenue bonds with the General Assembly's approval. DNR uses revenue bond proceeds for the acquisition and/or development of park facilities.

Revenue bonds are secured by revenues generated from the projects they finance and are not backed by the full faith and credit of the state. Section 8.420, RSMo, limits revenue bond issuance by the Board of Public Buildings to \$229 million. Sections 253.210-253.280, RSMo, limit revenue bonds issued by DNR to \$5,167,000 for state parks.

Both the Board of Public Buildings and DNR are allowed by statute to issue bonds for the purpose of refunding outstanding issues. As with general obligation bonds, revenue bonds are

refunded when lower rates of interest are available. Since 1983, the Board has issued \$299,060,000 of refunding bonds, referred to as State Building Special Obligation Refunding Bonds, saving the state an estimated \$17.5 million. The Department of Natural Resources has not issued any refunding bonds.

In May of 2001, the Board issued \$173,870,000 principal amount of State Building Special Obligation Bonds, Series A 2001 for the purpose of financing the Jefferson City Correctional Center, the Western Missouri Mental Health Center, the Department of Natural Resources Office Building, to purchase a building presently being leased by the State and pay certain costs of issuance of the Bonds.

Other Debt Issuances

On August 15, 1991, the St. Louis Regional Convention and Sports Complex Authority issued \$132,910,000 of Convention and Sports Facility Project bonds for the eastern expansion of the existing Cervantes Convention Center in St. Louis. These bonds are limited obligations of the Authority and do not constitute a pledge of the full faith and credit of the state. However, under a financing agreement dated August 1, 1991, appropriations are made from General Revenue to pay the principal and interest due each year. The Regional Convention and Sports Complex Authority issued \$121,705,000 of Convention and Sports Facility Refunding Bonds in December, 1993.

On April 15, 1997, the Springfield, Missouri State Highway Improvement Corporation issued \$16,440,000 of transportation revenue bonds for improvements to various projects of the Highway and Transportation Commission and the City of Springfield. Under an agreement between the two entities, the Commission will pay \$10,507,857 to the Corporation to pay for principal and interest due on the bonds. The City of Springfield will pay the remainder of the debt service requirements.

On August 1, 1999 the Springfield, Missouri State Highway Improvement Corporation issued \$17,240,000 of Springfield, Missouri State Highway Improvement Corporation Transportation Revenue Bonds Series 1999 for the purpose of financing improvements to various projects of the Highway and Transportation Commission and the City of Springfield. These bonds are not an obligation of the Corporation and do not constitute a pledge of the full faith and credit of the State. However, under an amended financing agreement dated August 5, 1999, the Missouri Highway and Transportation Commission will make payments to the corporation in amounts sufficient to pay principal and interest due on \$11,368,588 of bonds. The City of Springfield will pay the remainder of the debt service requirements.

On September 1, 1997 the Missouri Highway 179 Transportation Corporation issued \$22,930,000 of highway revenue bonds for the purpose of acquisition of right-of-way and construction of an extension of Missouri Highway 179 from U.S. Highway 50 to Route B in Cole County, Missouri. At the same time, the Highway and Transportation Commission entered into a financing agreement to make payment to the Corporation in amounts sufficient to pay principal and interest due on \$18,385,625 of bonds. The City of Jefferson and the County of Cole will pay the remainder of the debt service requirements.

The 210 Highway Transportation Development District issued \$7,115,000 of district Revenue Bonds Series A 1999 dated July 15, 1999. These bonds are not an obligation of the Corporation and do not constitute a pledge of the full faith and credit of the State. However,

under a financing agreement the Missouri Highway and Transportation Commission will make payments to the Corporation in amounts sufficient to pay principal of \$7,115,000 of bonds.

The Missouri Highways and Transportation Commission authorized by the State Highway Act, issued \$250,000,000 of State Road Bonds Series A 2000 dated December 1, 2000, for the purpose of providing funds to finance project costs for highway construction and repairs scheduled in the five-year plan, to fund capitalized interest on the series, and to fund related issuance cost. The principal and interest of the State Road Bonds are payable solely from the State Road Fund's revenues as provided in the Missouri Constitution. In October 2001, \$200,000,000 was issued and in June 2002 \$203,000,000 was issued.

Lease/Purchase Agreements

On March 1, 1994 Missouri Public Facilities Corporation sold Certificates of Participation (Acute Care Psychiatric Hospital Project) Series A 1994 in the amount of \$22,250,000. The State of Missouri entered into a lease/purchase agreement to lease the acute care psychiatric hospital. The certificates of participation represent proportionate ownership interests of the certificate holders in the lease agreement. Payments under the lease agreement have been structured in amounts sufficient to pay principal and interest on the certificates.

On April 1, 1995, the Missouri PRC Corporation sold Certificates of Participation (Psychiatric Rehabilitation Center Project) Series A 1995 in the amount of \$19,190,000. At the same time, the State of Missouri entered into a lease/purchase agreement to lease the psychiatric rehabilitation center. Payments under the lease agreement have been structured in amounts sufficient to pay principal and interest on the certificates, and are subject to annual appropriation by the General Assembly.

On July 1, 1995, the Northwest Missouri Public Facilities Corporation sold Certificates of Participation (Northwest Missouri Psychiatric Rehabilitation Center Project) Series B 1995 in the amount of \$14,795,000. The State of Missouri entered into a lease/purchase agreement to lease the psychiatric rehabilitation center. Payments under the lease agreement have been structured in amounts sufficient to pay principal and interest on the certificates, and are subject to annual appropriation by the General Assembly.

On May 27, 1999 the Missouri Public Facilities Corporation II sold Certificates of Participation (Bonne Terre Prison Project) Series A 1999 in the amount of \$106,190,000. At the same time, the State of Missouri entered into a lease/purchase agreement to lease the prison. The certificates of participation represent proportionate ownership interests of the certificate holders in the lease agreement. The certificates do not constitute a pledge of the full faith and credit of the State. Payments under the lease agreement have been structured in amounts sufficient to pay principal and interest on the certificates, and are subject to annual appropriation by the State legislature.

The information provided is from the Office of Administration, Division of Accounting.

STATE OF MISSOURI
STATE INDEBTEDNESS
June 30, 2002

	<u>Series</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General Obligation Bonds:				
Water Pollution Control-Refunding	Series C 1991	1992 – 2012	\$ 33,575,000	\$ 21,875,000
Water Pollution Control	Series A 1992	1993 – 2017	35,000,000	27,630,000
Water Pollution Control-Refunding	Series B 1992	1993 – 2010	50,435,000	36,605,000
Water Pollution Control	Series A 1993	1994 – 2018	30,000,000	24,195,000
Water Pollution Control-Refunding	Series B 1993	1994 – 2016	109,415,000	90,205,000
Water Pollution Control	Series A 1995	1996 – 2020	30,000,000	25,230,000
Water Pollution Control	Series A 1996	1997 – 2021	35,000,000	30,945,000
Water Pollution Control	Series A 1998	1999 – 2023	35,000,000	31,595,000
Water Pollution Control	Series A 1999	2000 – 2024	20,000,000	19,095,000
Water Pollution Control	Series A 2001	2002 – 2026	20,000,000	19,530,000
Subtotal			<u>398,425,000</u>	<u>326,905,000</u>
Third State Building-Refunding	Series B 1991	1992 – 2012	71,955,000	47,320,000
Third State Building-Refunding	Series A 1992	1993 – 2010	273,205,000	198,970,000
Third State Building-Refunding	Series A 1993	1994 – 2012	148,480,000	103,015,000
Subtotal			<u>493,640,000</u>	<u>349,305,000</u>
Fourth State Building	Series A 1995	1996 – 2020	75,000,000	63,070,000
Fourth State Building	Series A 1996	1997 – 2021	125,000,000	110,515,000
Fourth State Building	Series A 1998	1999 – 2023	50,000,000	45,140,000
Subtotal			<u>250,000,000</u>	<u>218,725,000</u>
Stormwater Control	Series A 1999	2000 – 2024	20,000,000	19,095,000
Stormwater Control	Series A 2001	2002 – 2026	10,000,000	9,765,000
			<u>30,000,000</u>	<u>28,860,000</u>
Total General Obligation Bonds			<u>\$1,172,065,000</u>	<u>\$ 923,795,000</u>
Revenue Bonds:				
Board of Public Buildings	Series A 2001	2002 – 2026	\$ 173,870,000	\$ 170,100,000
Board of Public Buildings-Refunding	Series B 2001	2002 – 2012	83,465,000	83,465,000
Subtotal			<u>257,335,000</u>	<u>253,565,000</u>
Other Bonds:				
Regional Convention and Sports Complex Authority:				
Project Bonds	Series A 1991	1992 – 2021	\$ 132,910,000	\$ 5,515,000
Project Bonds-Refunding	Series A 1993	1994 – 2021	121,705,000	113,945,000
Subtotal			<u>254,615,000</u>	<u>119,460,000</u>
Springfield, Missouri State Highway Improvement Corporation:				
Transportation Revenue Bonds	Series 1997	2000 – 2003	10,552,769*	3,633,612*
Transportation Revenue Bonds	Series 1999	2000 – 2005	12,636,738*	11,106,132*
Subtotal			<u>23,189,507*</u>	<u>14,739,744*</u>
Missouri Highway 179 Transportation Corporation:				
Transportation Revenue Bonds	Series 1997	2000 – 2008	18,385,625	12,247,907

Missouri 210 Highway Transportation Corporation:			
District Revenue Bonds	Series A 1999 2000 – 2009	7,115,000	7,115,000
Fulton 54 Transportation Corporation:			
Transportation Revenue Bonds	Series 2000 2004 – 2007	7,695,000	7,695,000
Missouri Highway and Transportation Commission			
State Road Bonds	Series A 2000 2002 – 2020	250,000,000	243,380,000
State Road Bonds	Series A 2001 2003 – 2021	200,000,000	200,000,000
State Road Bonds	Series A 2002 2004 – 2022	<u>203,000,000</u>	<u>203,000,000</u>
Subtotal		<u>653,000,000</u>	<u>646,380,000</u>
Total Other Bonds		<u>\$ 1,221,335,132</u>	<u>\$ 832,993,651</u>
Lease/Purchase Agreements:			
Acute Care Psychiatric Hospital	Series A 1994 1995 – 2014	22,250,000	16,860,000
Psychiatric Rehabilitation Center	Series A 1995 1997 – 2015	19,190,000	15,850,000
NW Missouri Psy. Rehab Center	Series B 1995 1997 – 2016	14,795,000	11,770,000
MO Public Facilities Corp II,			
Bonne Terre Prison	Series A 1999 1999 – 2019	<u>106,190,000</u>	<u>95,630,000</u>
Total Lease/Purchase Agreements		<u>\$ 162,425,000</u>	<u>\$ 140,110,000</u>
TOTAL STATE INDEBTEDNESS		<u>\$2,555,825,132</u>	<u>\$1,896,898,651</u>

*Amounts changed due to issuance of Transportation Revenue Bond, Series 1999

Source: The information provided is from the Office of Administration, Division of Accounting.

STATE OF MISSOURI
STATE INDEBTEDNESS
DEBT RETIREMENT SCHEDULE - PRINCIPAL AND INTEREST
June 30, 2002

Fiscal Year Ending June 30	Missouri 210 Highway Transportation Corporation	Missouri Highway 179 Transportation Corporation	Missouri Highways and Transportation Commission (3 years)	Missouri Public Facilities Corporation	Missouri PRC Corporation	Northwest Missouri Public Facilities Corporation	Missouri Public Facilities Corporation II	Totals
2002	***	***	25,097,940	1,821,687	1,655,572	898,046	8,405,598	170,719,185
2003	***	2,300,579	43,976,455	1,822,223	1,657,435	1,239,493	8,404,847	205,225,412
2004	***	2,369,597	54,540,648	1,819,362	1,656,483	1,235,878	8,400,785	218,596,690
2005	***	2,440,685	54,500,548	1,818,108	1,657,717	1,240,435	8,403,585	221,077,810
2006	***	2,513,905	54,493,643	1,818,369	1,656,160	1,237,285	8,402,675	219,406,816
2007	2,375,000	2,589,322	54,506,656	1,819,647	1,656,393	1,236,585	8,405,490	218,394,506
2008	2,370,000	2,667,002	54,358,265	1,821,744	1,652,970	1,238,690	8,401,053	217,253,143
2009	2,370,000	3,100,373	54,354,490	1,819,556	1,655,512	1,238,297	8,403,775	210,212,095
2010	***	***	54,355,348	1,818,056	1,653,911	1,239,970	8,404,875	195,093,814
2011	***	***	54,354,410	1,821,547	1,653,215	1,238,770	8,403,502	177,349,753
2012	***	***	54,350,995	1,819,703	1,656,350	1,239,210	8,403,293	144,256,311
2013	***	***	54,356,439	1,818,219	1,658,050	1,239,980	8,405,412	144,192,235
2014	***	***	54,352,771	1,821,672	1,654,950	1,237,560	8,404,863	133,396,269
2015	***	***	54,387,621	1,819,781	1,656,750	1,236,950	8,403,612	133,376,554
2016	***	***	54,387,108	***	1,653,150	1,237,860	8,400,863	128,636,637
2017	***	***	54,390,464	***	***	***	8,403,422	125,723,585
2018	***	***	54,390,287	***	***	***	8,402,885	123,266,418
2019	***	***	54,240,582	***	***	***	8,401,485	120,435,874
2020	***	***	54,449,874	***	***	***	***	110,042,236
2021	***	***	33,110,500	***	***	***	***	80,756,617
2022	***	***	16,621,500	***	***	***	***	59,255,448
2023	***	***	***	***	***	***	***	26,087,443
2024	***	***	***	***	***	***	***	20,169,217
2025	***	***	***	***	***	***	***	20,191,311
2026	***	***	***	***	***	***	***	17,426,417
2027	***	***	***	***	***	***	***	3,028,000
	\$7,115,000	\$17,981,463	\$1,043,576,544	\$25,479,674	\$24,834,618	\$18,235,009	\$151,262,020	\$3,443,569,796

Cap on Highway Fund Appropriations To Non-Highway Agencies

Legislation (SB 135, 63) authorizing a 4 cent motor fuel tax increase effective July 1, 1987, established a cap on expenditures from the Highway Fund by other non-highway agencies (§226.200 (3) RSMo). The cap was set at the FY 87 expenditure level and was approximately \$119.6 million. The bill required that when expenditures from the Highway Fund exceeded the cap, the fund must be reimbursed from General Revenue the next fiscal year.

The motor fuel tax increased to six cents in 1992 with the passage of HB 1247, in which the fixed ceiling of \$119.6 million was changed to a flexible ceiling (§142.372 RSMo). Therefore, the growth in funds allocated to non-highway agencies could increase by the same percentage as the overall increase in state highway revenue sources.

During the 2000 legislative session, the passage of House Bill 1742, re-established a fixed cap (§ 226.200 RSMo). This action will require the reimbursement of General Revenue funds to the Highway Fund when expenditures exceed the FY 01 level of expenditures.

During the 2002 legislative session, the passage of House Bill 1196 provides for the removal of the cap beginning in fiscal year 2004 for the Mo. State Highway Patrol for enforcement related activities, and actual costs incurred by the Office of Administration for or on behalf of the Patrol and employees within the Department of Transportation. In addition, beginning in fiscal year 2008, any activities of the Patrol that are not related to the enforcement of laws pertaining to motor vehicle and usage of the highways shall be supported with general revenue, or other applicable funding sources. This legislation also maintains a cap, which is set at the fiscal year 2001 level for the Department of Revenue, and other non-highway related agencies that are currently authorized to receive funding support from the State Highways and Transportation Department Fund.

The Department of Public Safety and Department of Revenue utilize a significant portion of Highway Fund revenue allocated for non-highway related purposes. The Department of Public Safety is compensated for patrolling the state's highways. Likewise, the Department of Revenue is compensated for implementing state motor vehicle and driver statutes. Other agencies receive Highway Fund revenue for work that relates to the state's highway system.

COURT ORDERED DESEGREGATION AGREEMENT FISCAL YEAR 2003

Certain state payments formerly made to the Kansas City and St. Louis school districts under court order have been reallocated pursuant to the provisions of SB 781 (1998), Section 162.1060 RSMo, and the terms of the 1999 settlement agreement in the St. Louis Desegregation case (Liddell v. the Board of Education of St. Louis City). In prior years, the state was required to expend moneys in order to improve the quality of education in St. Louis and Kansas City, in order to comply with the orders of U.S. District Courts for Eastern and Western Missouri. Prior to 1993, desegregation payments were made pursuant to federal court order and were not appropriated. Subsequently, these payments have been appropriated to the Department of Elementary and Secondary Education.

The 1999 settlement agreement provides for \$180 million in capital to be paid to the St. Louis Public Schools beginning in FY 2000. Payments are to be made as follows:

July 1, 1999	\$28.5 million	July 1, 2005	\$13.0 million
July 1, 2000	\$25.0 million	July 1, 2006	\$12.0 million
July 1, 2001	\$20.0 million	July 1, 2007	\$11.0 million
July 1, 2002	\$20.0 million	July 1, 2008	\$10.0 million
July 1, 2003	\$16.5 million	July 1, 2009	\$9.0 million
July 1, 2004	\$15.0 million		

A total of \$50 million was paid to the Voluntary Inter-District Choice Corporation in two payments. The first payment was made in fiscal year 2000 and the second payment in fiscal year 2001.

Listed below, are the expenditures of the St. Louis Desegregation Plan and the Kansas City Desegregation Plan that were mandated by court order. The following information is as of June 30, 2002.

St. Louis Desegregation Plan

<u>Fiscal Year</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Lapse</u>
2003	\$ 20,000,000		
2002	20,000,000	\$20,000,000	\$ 0
2001	50,000,000	50,000,000	0
2000	53,500,000	53,476,585	23,415
1999	191,862,972	188,799,736	3,063,236
1998	158,800,000	147,021,949	11,778,051
1997	151,700,000	138,086,852	13,613,148
1996	153,700,000	148,291,471	5,408,529
1995	155,700,000	139,258,397	16,441,603
1994	147,600,000	134,202,695	13,397,305
1993	147,100,000	136,028,438	11,071,562
1992	144,600,000	137,189,737	7,410,263
1991	135,200,000	132,695,771	2,504,229
1981-1990	674,980,490	616,269,820	58,710,670

Kansas City Desegregation Plan

<u>Fiscal Year</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Lapse</u>
1999	\$ 99,000,000	\$ 97,532,435	\$ 1,467,565
1998	132,737,856	132,737,852	4
1997	110,300,000	89,042,565	21,257,435
1996	168,200,000	125,591,973	42,608,027
1995	203,200,000	175,045,453	28,154,547
1994	196,850,000	143,290,085	53,559,915
1993	209,600,000	139,789,109	69,810,891
1992	191,400,000	159,334,336	32,065,664
1991	157,900,000	141,063,712	16,836,288
1986-1990	376,760,000	331,555,932	45,204,068

SOURCE: State of Missouri, Appropriation Activity Report

The fiscal year 1998 Kansas City Desegregation figures reflect moneys that were placed in escrow during fiscal year 1997 but not applied until fiscal year 1998.

STATE EMPLOYEE PAY PLAN HISTORY

FY 91 – FY 2003

The pay plan is created by the Personnel Advisory Board (PAB) and reviewed by the Ad Hock Task Force on Total Compensation. The task force recommendations are integrated into a final plan the PAB submits to the Governor's office and to Budget and Planning. The Governor makes a final recommendation to be reviewed by the legislature.

Fiscal Year	Date Implemented	Description	Positions Under Salary Commission
FY 2003	July 1, 2002	No pay plan was offered	NONE
FY 2002	July 1, 2001	<p>No pay plan was offered</p> <p>Exceptions</p> <ul style="list-style-type: none"> • 2% Increase for those classified as direct care staff working in State Habilitation Centers (Department of Mental Health) and for those classified as Psychiatric Aides I and II in State Mental Hospitals • Repositioning of those from ranges 3 and 4 to range 5 (Referred to as Basic Living Wage Reposition) Typical job titles include: Laundry, Janitorial, Custodial, and Food Service Worker 	NONE
FY 2001	July 1, 2000	<p>\$600/year beginning July 1, 2000 1 step within grade (2%) July 1, 2000 \$420/year beginning January 1, 2001</p> <p>Exceptions</p> <ul style="list-style-type: none"> • Department of Social Services frontline positions (Social Service Worker I & II, Caseworker, Self-Sufficiency Casemanager, Social Service Supervisor and Income Maintenance Supervisor) requiring a college degree or equivalent experience will receive a one range repositioning (approximately 4% increase) in lieu of the 1 step within grade and will receive the \$600 and \$420 COLAS. • Veteran's home' nursing aides will receive the general pay plan with adjustments to equalize the starting salary for Nursing Aide I's to be \$16,716 and to equalize the starting salary of Nursing Aide II's to be \$19,104. • Water Patrol Officers will receive a one range repositioning (approximately 4% increase) in lieu of the 1 step within grade and will receive the \$600 and \$420 COLAS. • Highway Patrol Officers will receive the state pay plan plus varying adjustments to create their own pay grid. 	<p>Judges - \$3,000 per year July 1, 2000 Elected Officials, General Assembly – \$300/year July 1, 2000 1 step within grade (1%) July 1, 2000 \$210/year January 1, 2001</p>

Fiscal Year	Date Implemented	Description	Positions Under Salary Commission
FY 2000	July 1, 1999	1% COLA Up to 2 step within grade (about 4%)	Judges – Salary based on Salary Commission Recommendation General Assembly – 5% Elected Officials – 5% - except Lt. Gov. which was based on Commission recommendation ALL INCREASES WERE INITIALLY VETOED, but fully funded Commission recommendation in supplemental appropriation
FY 99	July 1, 1998	1% COLA Up to 2 step within grade (about 4%) \$10 per month flexible benefit	5% SAME
*FY 98	July 1, 1997	1% COLA Up to 2 step within grade (about 4%)	Judges, Elected Officials, General Assembly - 2.9%
	Jan. 1, 1998	\$10 per month flexible benefit	SAME
FY 97	July 1, 1996	2% COLA Up to 2 step within grade (about 4%)	N/A
FY 96	July 1, 1995	2% COLA 1 step within grade (about 2%)	N/A
	Jan. 1, 1996	\$25 State match for employees in Deferred Compensation Plan.	
FY 95	July 1, 1994	3% plus \$200 COLA	N/A
FY 94	July 1, 1993	1% plus \$400 COLA \$360 additional health insurance contribution	N/A
FY 93		No pay plan was offered or approved.	N/A
FY 92		No pay plan was offered or approved.	N/A
FY 91	July 1, 1990	2% within grade adjustment	N/A

*FY 98 was the first year that the Salary Commission made a recommendation. Previously, Elected Officials, Judges, and the General Assembly received pay increases equal to that of state employees.

GAMING & GAMING COMMISSION REVENUE

Senate Bill 10 & 11 (86th General Assembly, 1st Regular Session, 1994) created the Missouri Gaming Commission, which became responsible for the licensing and regulation of excursion gambling boats throughout the state. After June 30, 1994, this act also provided for the transfer of responsibilities of licensing and regulation of bingo activities to the Gaming Commission.

Revenues generated from the gaming industry provide for the operation of the Missouri Gaming Commission (§ 313.835 RSMo), as well as providing a portion of the funding for education throughout the state (§ 313.835 RSMo; Article IV, Section 15, Missouri Constitution). The following information outlines how gaming revenues are divided between the State Education Fund and the Gaming Commission.

Gaming Revenue in Missouri

The following summarizes how the funding mechanism allocates dollars to both the operation of the Gaming Commission and to the State Education Fund.

- There is a \$2 boarding fee, paid either by the gambler or the casino, \$1 of which supports the operation of the Gaming Commission, with the other \$1 going to the local government.
- 80% of the gamblers' losses goes to the boat, while 2% goes to the local government. The remaining 18% (Gaming Tax) is allocated to the State Education Fund.

Contribution of Gaming Proceeds (18% tax) to Education

	FY 2001	FY 2002	FY 2003
Gaming Revenue	\$1,035,196,000	\$1,076,394,444	\$1,132,177,790
Gaming Proceeds to Education	\$186,335,388	\$193,751,000	\$203,792,000

For FY 2001 and 2002, the School District Bond Fund was allocated \$7 million with the remainder being allocated to the foundation formula through the State Schools Money Fund. For FY 2003, the School District Bond Fund amount was reduced to \$4 million.

Appropriations of Gaming Commission Fund Revenues (\$1 boarding fee)

	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Juvenile Court Diversion	\$415,940	\$500,000	\$500,000
Veterans Commission CI Trust Fund	\$3,000,000	\$3,000,000	\$3,000,000
MO National Guard Trust	\$3,000,000	\$3,000,000	\$3,000,000
MO College Guarantee	\$6,000,000	\$4,500,000	\$4,500,000
Early Childhood	\$30,538,114	\$31,260,000	\$27,780,000
Compulsive Gambling	\$46,612	\$398,074	\$489,850
Administrative Expenses	<u>\$14,094,062</u>	<u>\$19,905,175</u>	<u>\$20,130,450</u>
TOTAL	\$57,094,729	\$62,563,249	\$59,400,300

LOTTERY COMMISSION REVENUE

On November 6, 1984, Constitutional Amendment No. 5 was passed by the voters of this State, authorizing a state lottery and Lottery Commission, Article III; 39(b). Senate Bill 44, (83rd General Assembly, 1st Regular Session, 1985) provided enabling legislation to implement the state lottery. The Commission is charged with supervising the lottery, and issuing rules and regulations pertaining to its operation, State Statutes 313.200-313.350 RSMo.

Revenues generated from the sale of lottery tickets provide for the operation of the Commission, prize money, retailer commissions and incentives, and partial funding to the State Education Fund. The following information outlines how lottery revenues are allocated.

For FY 2003 the Lottery Commission approved the implementation of a new quick-draw lottery game, commonly known as Keno. The state has budgeted \$20.9 million of anticipated Keno proceeds in the foundation formula.

Lottery Revenue in Missouri

The following information provides a brief summary of how lottery proceeds are allocated.

- 55 cents of every dollar is returned to the players as prize money.
- 30 cents provides money to the state's education appropriations.
- 8.5 cents is used to fund the operation of the Lottery.
- 6.5 cents provides for retailer commissions and incentives.

	FY 2001	FY 2002	FY 2003
Lottery Revenue Amounts	\$507,544,717	\$553,174,246	\$608,971,024

Contributions of Lottery Proceeds to Education

The listing below provides the amount appropriated to the Department of Elementary and Secondary Education and the Department of Higher Education for operating expenditures from Lottery Proceeds:

	<u>Elementary & Secondary Education</u>	<u>Higher Education</u>	<u>Total</u>
Fiscal Year 2001	\$ 75,829,718	\$ 79,510,463	\$ 155,340,181
Fiscal Year 2002	\$ 87,765,127	\$ 79,510,463	\$ 167,275,590
Fiscal Year 2003	\$112,588,683	\$71,559,417	\$184,148,100

Lottery proceeds are distributed throughout the Department of Elementary and Secondary Education's budget with the largest portions going to categorical funding for transportation, the Safe Schools program, and the A+ Schools program.

In the higher education budget, lottery proceeds are appropriated primarily to the operating budgets of the public two- and four-year colleges and universities. Each school's lottery amount accounted for roughly 10% of their total state appropriation.

WHERE DOES MISSOURI RANK?

Per Capita Personal Income National Per Capita = \$30,271 2001 Estimate		
Rank	State	Per Capita
1	Connecticut	41,930
2	Massachusetts	38,845
3	New Jersey	38,153
4	New York	35,884
5	Maryland	34,950
6	New Hampshire	33,928
7	Colorado	32,957
8	Minnesota	32,791
9	Illinois	32,755
10	California	32,678
11	Virginia	32,295
12	Delaware	32,121
13	Washington	31,582
14	Alaska	30,997
15	Pennsylvania	30,617
16	Rhode Island	29,984
17	Nevada	29,860
18	Michigan	29,538
19	Wisconsin	28,911
20	Wyoming	28,807
21	Ohio	28,619
22	Nebraska	28,564
23	Hawaii	28,554
24	Kansas	28,507
25	Florida	28,493
26	Texas	28,486
27	Georgia	28,438
28	Missouri	28,029
29	Oregon	28,000
30	Vermont	27,992
31	Indiana	27,532
32	North Carolina	27,418
33	Iowa	27,283
34	Tennessee	26,758
35	Maine	26,385
36	South Dakota	26,301
37	North Dakota	25,538
38	Arizona	25,479
39	Kentucky	25,057
40	Oklahoma	24,787
41	South Carolina	24,594
42	Alabama	24,426
43	Idaho	24,257
44	Utah	24,202
45	Louisiana	24,084
46	Montana	23,532
47	New Mexico	23,162
48	Arkansas	22,912
49	West Virginia	22,725
50	Mississippi	21,643

Per Capita State Tax Revenue National Per Capita = \$1,968 2001		
Rank	State	Per Capita
1	Connecticut	3,092
2	Hawaii	2,865
3	Delaware	2,731
4	Minnesota	2,722
5	Massachusetts	2,700
6	California	2,622
7	Vermont	2,533
8	New York	2,359
9	Wyoming	2,274
10	New Jersey	2,269
11	Alaska	2,250
12	Michigan	2,228
13	New Mexico	2,188
14	Wisconsin	2,179
15	Rhode Island	2,118
16	Washington	2,117
17	Maine	2,074
18	Maryland	2,007
19	North Dakota	1,940
20	Idaho	1,936
21	Kentucky	1,931
22	North Carolina	1,909
23	West Virginia	1,900
24	Illinois	1,855
25	Kansas	1,853
26	Pennsylvania	1,836
27	Oklahoma	1,833
28	Arkansas	1,824
29	Nevada	1,820
30	Utah	1,791
31	Nebraska	1,768
32	Iowa	1,765
33	Virginia	1,745
34	Ohio	1,725
35	Georgia	1,714
36	Colorado	1,713
37	Oregon	1,697
38	Indiana	1,669
39	Mississippi	1,662
40	Montana	1,654
41	Louisiana	1,611
42	Arizona	1,593
43	Missouri	1,570
44	Florida	1,521
45	South Carolina	1,513
46	Alabama	1,426
47	New Hampshire	1,410
48	Texas	1,380
49	Tennessee	1,363
50	South Dakota	1,292

State Tax Revenue as a % of Personal Income National = 6.7% - 2001		
Rank	State	Percent
1	Hawaii	10.4
2	New Mexico	10.0
3	Vermont	9.5
4	Delaware	8.9
5	West Virginia	8.7
6	Minnesota	8.6
7	Arkansas	8.3
8	Idaho	8.3
9	Wyoming	8.3
10	California	8.3
11	Maine	8.2
12	Kentucky	8.1
13	Mississippi	8.0
14	Wisconsin	7.8
15	Oklahoma	7.8
16	Utah	7.7
17	North Dakota	7.7
18	Michigan	7.7
19	Alaska	7.7
20	Connecticut	7.6
21	Montana	7.3
22	Rhode Island	7.3
23	North Carolina	7.2
24	Massachusetts	7.2
25	Louisiana	7.0
26	Washington	6.9
27	New York	6.8
28	Kansas	6.8
29	Iowa	6.7
30	Arizona	6.5
31	Nevada	6.4
32	Nebraska	6.4
33	South Carolina	6.4
34	Georgia	6.3
35	Indiana	6.2
36	Pennsylvania	6.2
37	Oregon	6.2
38	Ohio	6.2
39	New Jersey	6.2
40	Alabama	6.1
41	Maryland	6.0
42	Illinois	5.8
43	Missouri	5.8
44	Virginia	5.7
45	Florida	5.6
46	Colorado	5.4
47	Tennessee	5.3
48	Texas	5.1
49	South Dakota	5.0
50	New Hampshire	4.3

MISSOURI SENIOR RX PROGRAM

In September 2001, Governor Holden called a special session to be held immediately after veto session, requesting the Legislature to pass legislation creating a senior prescription benefit plan. Senate Bill 4, 1, 5, and 6 and House Bill 3 were signed into law by the Governor on October 9, 2001, with a benefit plan to begin July 1, 2002. The legislation outlines benefits that are subject to change due to appropriations and enrollment.

Eligibility Requirements

- At least 65 years of age;
- A resident of the State of Missouri for the past 12 months;
- No access to health insurance with prescription drug coverage for 6 months;
- Not receiving Medicaid benefits;
- Have an income of
 - \$17,000 or below if an individual *or*
 - \$23,000 or below if a couple

Cost Sharing Provisions/Benefits

- For individuals with income at \$12,000 or below or couples with income at \$17,000 or below:
 - Deductible - \$250
 - Enrollment Fee - \$25
 - Coinsurance payment of 40% on each formulary drug
 - Annual benefit cap of \$5,000 per member
- For individuals with income at \$17,000 or below or couples with income at \$23,000 or below:
 - Deductible - \$500
 - Enrollment Fee - \$35
 - Coinsurance payment of 40% on each formulary drug
 - Annual benefit cap of \$5,000 per member

If a member selects a brand name drug when a generic equivalent is available, the member is responsible for paying the generic coinsurance plus the cost difference between the brand name and generic drug.

Application Information

The following information is needed for the annual application:

- Proof of age;
- Proof of residence;
- Annual household income information;
- Previous year's prescription drug costs;
- Information about any third-party health plan, and;
- Any additional information, as deemed necessary

Enrollment Period

The initial enrollment period was from April 1, 2002 to May 30, 2002 with benefits beginning July 1, 2002. The annual enrollment period in each subsequent year will be from January 1 – February 28. Each member will have to re-enroll in each plan year.

For the first plan year, 29,225 members have enrolled at an approximate cost to the state of \$34,650,000.

HOMELAND SECURITY MEASURES

The attacks that occurred on September 11, 2001 prompted not only the nation, but various states to implement measures to deter and combat terrorism. On September 26th, 2001, Governor Holden appointed Mr. Tim Daniel for the position of Special Advisor of the Office of Homeland Security for Missouri. Subsequent to the appointment of Mr. Daniel, Governor Holden appointed a 32 member Missouri Security Panel on November 9th, 2001. The mission for Mr. Daniel and the Security Panel was to begin an immediate assessment of Missouri's security systems and make recommendations to strengthen any weaknesses that might exist.

Based upon the preliminary findings of the Security Advisor and Panel, the fiscal year 2002 supplemental budget and the fiscal year 2003 operating budget included appropriations in excess of \$24.9 million in state and federal funds for security enhancements, including funds to guard against bio-terrorism. The additional funds were appropriated primarily to the Department of Public Safety and the Department of Health. The information below briefly describes the appropriation to enhance security by both of these state agencies.

Department of Public Safety

Federal Funds for the State Emergency Management Agency and other State Agencies

The General Assembly established a mechanism to receive federal funds through a \$1 E open-ended appropriation to utilize funds that may become available throughout the fiscal year, due to the unavailability of information regarding the exact amount of resources that will be provided to the states by the federal government. House Bill 1108, Section 8.331 contains estimated appropriations that pass through the State Emergency Management Agency, for the Departments of Public Safety, Agriculture, Natural Resources, Office of Administration, and the Office of the Governor. The appropriation bill language within this section of the House Bill requires the departments to submit written notification to the chairs of the House Budget and Senate Appropriations Committees of how the funds will be utilized. A total of \$4.0 million was appropriated in the fiscal year 2002 supplemental bill for grants for security enhancements.

State Emergency Management Agency/Missouri Task Force One

Funding of \$75,000 in federal funds and \$75,000 in state general revenue funds was appropriated in House Bill 1108, Section 8.320 to provide additional resources to purchase needed equipment and training for Missouri's Urban Search and Rescue Team. This team is based at the Boone County Fire Protection District and specializes in highly technical search and rescue operations. Missouri Task Force One is one of 28 rescue teams based in various locations throughout the nation that are called upon primarily to perform technical rescue operations in urban areas.

State Emergency Management Agency/Critical Asset Protection

An appropriation of \$343,352 in state funding was incorporated within the budget for the State Emergency Management Agency for a Critical Asset Protection Plan Task Force. This task force is comprised of four positions that are responsible for providing a system for enhancing the security of critical facilities throughout the state. Once critical assets are identified, this team will negotiate with the owner/operators to provide measures that will guard against potential terrorists attacks.

Critical assets can include, but may not be limited to structures such as the Callaway Nuclear Plant, the State Capitol, major sports complexes, etc. Critical assets can be characterized as structures, or facilities that have a historical significance or symbolic importance, including areas that host large gatherings of people, contain critical technology, or provides services important to large numbers of people.

Department of Public Safety/Capitol Police

The Capitol Police serves as a full service law enforcement agency that performs safety and security functions on state owned property for approximately 7,000 workers and 250,000 visitors on an annual basis. The Capitol Police is also responsible for providing physical security for facilities within the capitol complex that encompasses approximately four city blocks, including state owned or leased buildings located on the east and west side of Jefferson City.

Subsequent to the September 11th disaster, the Capitol Police was the lead agency in seeing that security in and around the facilities within the boundaries of the Capitol Complex. This included the implementation of measures to screen workers and visitors at key entrances, including parking garages and parking lots. In the fiscal year 2003 budget the General Assembly included funding of \$525,000 in state funding for contract security personnel and one additional Capitol Police Sergeant to supervise contracted staff. These positions are not certified law enforcement officers, however, their primary duty is to observe and report suspicious activity, as well as screen persons visiting state owned or leased buildings.

Department of Health and Senior Services

Funding allocated to the Missouri Department of Health and Senior Services is designed to expand the high alert biological, chemical and radiological surveillance system, and expand the State Public Health Laboratories capacity to meet demands. This includes but is not limited to assurance of the detection of biological agents used as a weapon, increasing the Department's ability to analyze potential threats, and the dissemination of information to responding agencies and the public in an expedient manner. In order to fund the enhancements noted above, the General Assembly passed fiscal year 2002 supplemental appropriations of \$151,407 in state funds, and \$764,855 in state funding for fiscal year 2003.

The Department of Health and Senior Services also received \$19.9 million in federal funds for Bio-terrorism grants in fiscal year 2003. Of the total amount, local government entities will receive approximately \$12.7 million for local personnel (\$4.9 million) and for projects and training (\$7.8 million). The Department of Health and Senior Services' share includes funding of approximately \$7.1 million for forty-eight additional staff positions and general expenses for projects and training.

Section III

General Information

Missouri Senatorial Districts

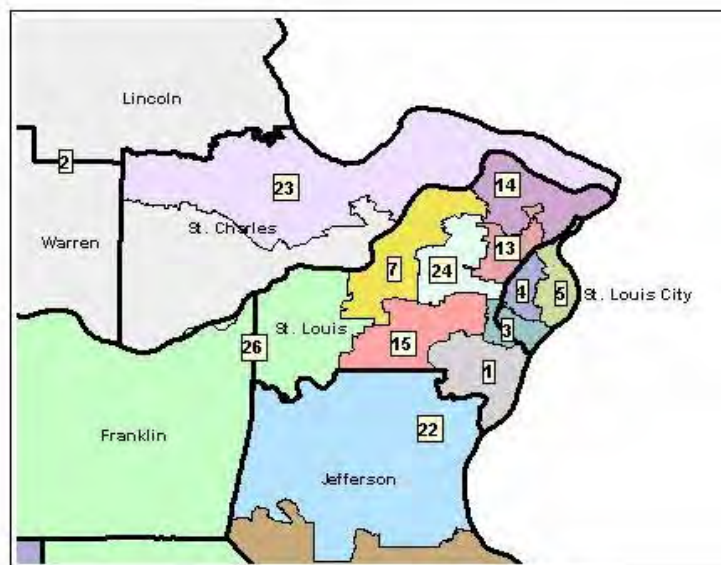


Senatorial Districts

6 – Larry Rohrbach	20 – Danny Staples	27 – Peter Kinder	31 – Harold Caskey
12 – David Klindt	21 – James Mathewson	28 – Morris Westfall	32 – Marvin Singleton
16 – Sarah Steelman	25 – Bill Foster	29 – Doyle Childers	33 – John T. Russell
18 – John Cauthorn	26 – David Klarich	30 – Roseann Bentley	34 – Sidney Johnson
19 – Ken Jacob	(Vacant as of 7-3-02)		

Note: See next page for St. Louis and Kansas City districts

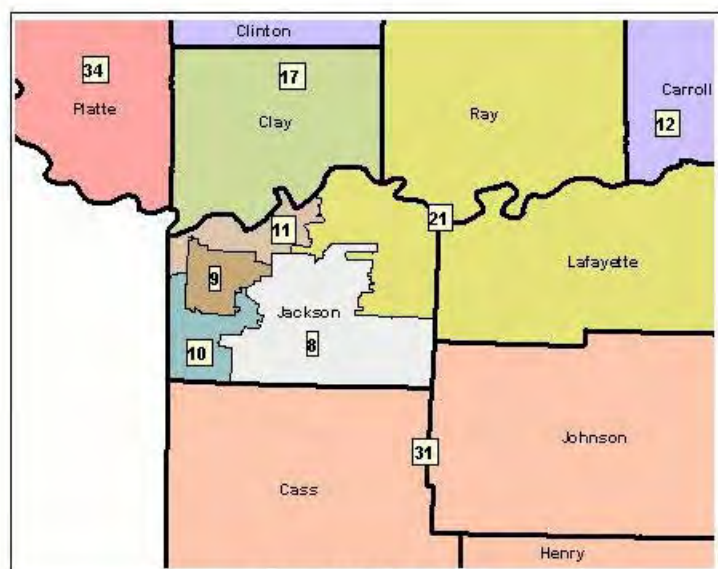
Missouri Senatorial Districts



St. Louis

St. Louis Senatorial Districts

- 1 – Anita Yeckel
- 2 – Ted House
- 3 – Harry Kennedy
- 4 – Pat Dougherty
- 5 – Maida Coleman
- 7 – John Loudon
- 13 – Wayne Goode
- 14 – John Schneider
- 15 – Michael Gibbons
- 22 – Steve Stoll
- 23 – Chuck Gross
- 24 – Betty Sims

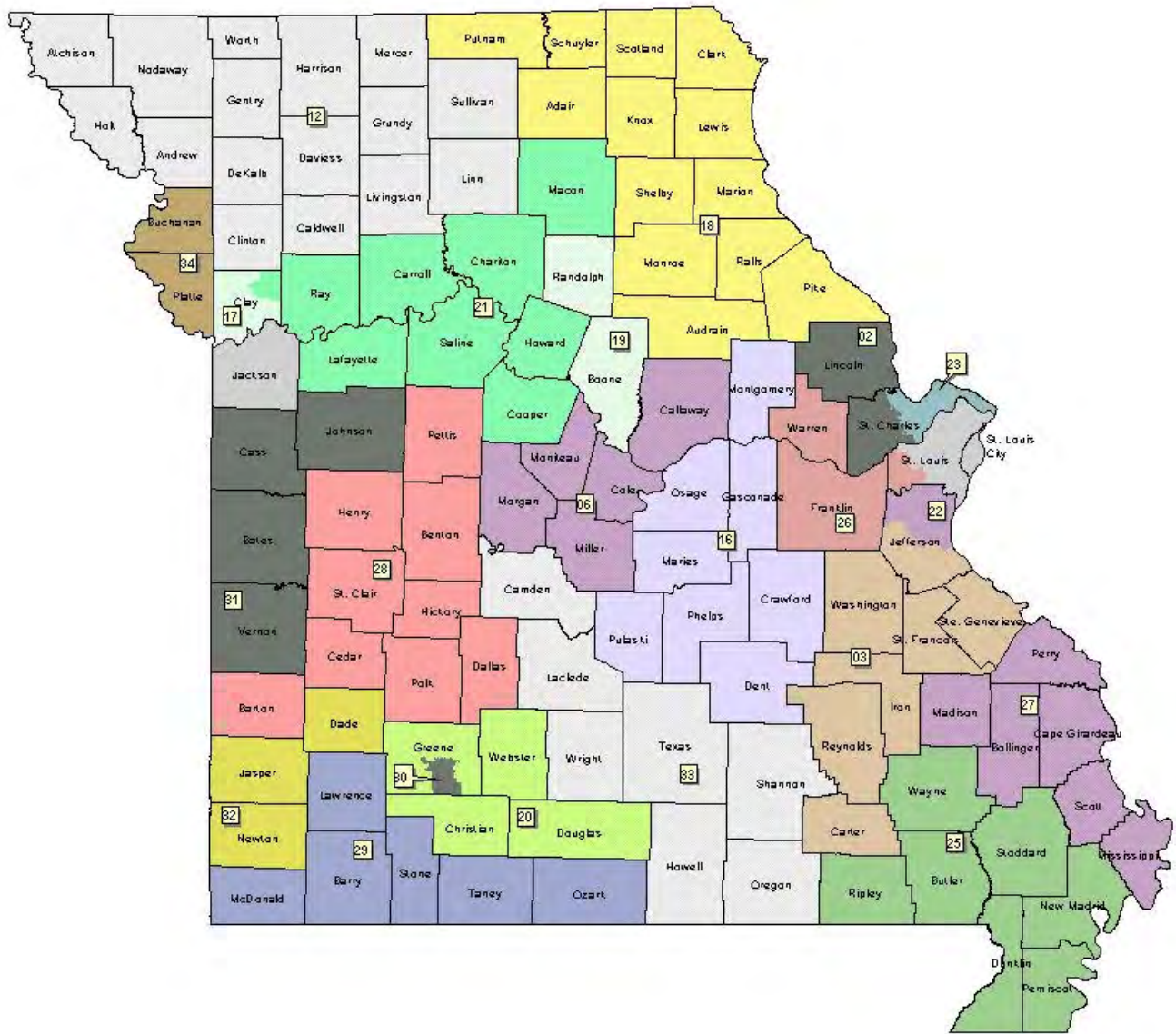


Kansas City

Kansas City Senatorial Districts

- 8 – Bill Kenney
- 9 – Mary Bland
- 10 – Harry Wiggins
- 11 – Ronnie DePasco
- 17 – Ed Quick

New Missouri Senatorial Districts

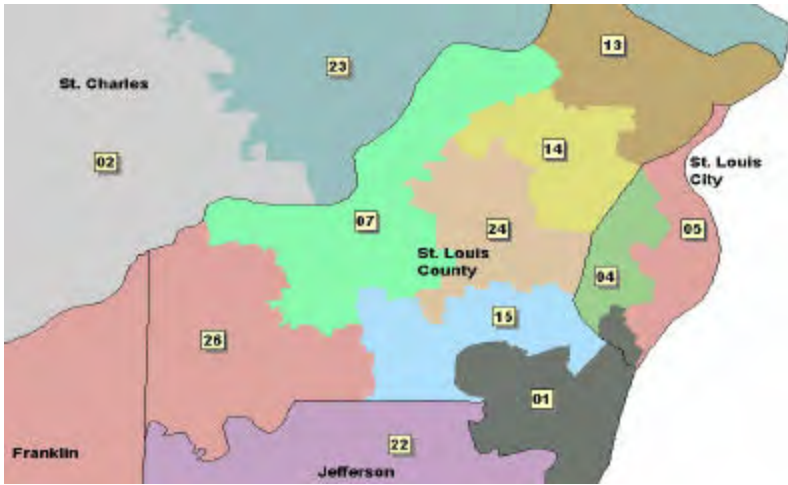


Senatorial Districts

6 –	20 –	27 – Peter Kinder	31 – Harold Caskey
12 –	21 – James Mathewson	28 –	32 –
16 –	25 – Bill Foster	29 – Doyle Childers	33 – John T. Russell
18 –	26 –	30 –	34 –
19 – Ken Jacob			

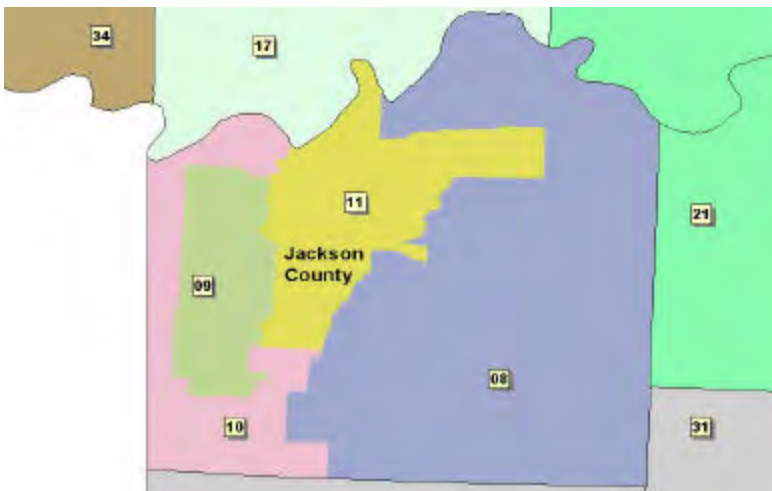
Note: See next page for St. Louis and Kansas City districts

New Missouri Senatorial Districts



St. Louis Senatorial Districts

- 1 – Anita Yeckel
- 2 –
- 3 – Harry Kennedy
- 4 –
- 5 – Maida Coleman
- 7 – John Loudon
- 13 – Wayne Goode
- 14 –
- 15 – Michael Gibbons
- 22 –
- 23 – Chuck Gross
- 24 –



Kansas City Senatorial Districts

- 8 –
- 9 – Mary Bland
- 10 –
- 11 – Ronnie DePasco
- 17 – Ed Quick

**Missouri Senate
Appropriations Committee and
Staff Organization**

**President Pro Tem
Peter Kinder**

Senate Appropriations Committee

**John T. Russell, Appropriations Committee Chair
Larry Rohrbach, Vice-Chair**

**Wayne Goode
Roseann Bentley
Maida Coleman**

**Harry Wiggins
Mary Groves Bland
Doyle Childers
Stephen M. Stoll**

**Morris Westfall
Betty Sims
Chuck Gross
Patrick Dougherty**

Senate Appropriations Committee Staff

Marty Drewel, Director

**General Assembly
Office of Administration
Public Debt
Elected Officials
Judiciary – Public Defender**

**Walter Fischer
Public Safety
Corrections
Hwy. & Trans.**

**Paul Wagner
Revenue
Elem. & Sec. Ed.
Higher Education**

**Lora Nelson
Social Services**

**Angie Giddings
Health
Mental Health**

**Brent McGinty
Agriculture
Conservation
Natural Resources
Economic Development
Labor & Ind. Relations
Insurance**

State Budget Control Committee

House bills after having been reported by the regular standing committee to which it was assigned shall be referred to the budget control committee for its consideration prior to its being considered by the Senate for third reading and final passage. Any Senate or House bill, amended in a manner that would increase expenditures or reduce revenue in excess of \$100,000 during either of the first two years that public funds will be used to fully implement its provisions is required to be referred or re-referred to the budget control committee. The author or first-named sponsor of a bill referred to the Committee on State Budget Control is also entitled to testify during a hearing on his or her bill but such committee hearing shall be limited to the reception of testimony presented by the author or first-named sponsor in person and none other. The Committee on State Budget Control may recommend the passage of a bill subject to the adoption of an amendment specifying a certain effective date proposed by the committee, and if such an amendment is not adopted the bill shall again be referred to that committee.

The Senate Appropriations Committee Staff is responsible for updating the State Budget Control Committee on the accumulated costs associated with bills that have been passed through the committee, and bills that are under consideration for each hearing. The staff is also responsible for follow-up on questions that committee members may have when bills are being considered, and the tracking bills that would have an impact on total state revenues as defined in Article X, Section 18(e) of the Missouri Constitution.

The Committee on State Budget Control considers all bills, with the exception of regular appropriation bills, which require new appropriations or expenditures of appropriated funds in excess of \$100,000. The committee also considers bills which reduces such funds by that amount during either of the first two years that public funds will be used to fully implement the provisions or programs of the given act. For Senate bills, after having been approved by the regular standing committee to which it has been assigned and after the same has been perfected and ordered printed by the Senate, is also referred to the budget control committee for its consideration. This is done prior to its submission to the Senate for final passage by the senate.

During the 2002 legislative session, the Committee on State Budget Control considered forty-nine Senate and House bills that had a total fiscal impact in state funds of \$746.1 to \$743.5 million for fiscal year 2003, \$448.3 to \$405.1 million for fiscal year 2004, and \$456.3 to \$411.5 million for fiscal year 2005.

Senate Budget Analyst Assignments

Revised May 31, 2002

Assignments include Operating, Supplementals, Leasing, Reappropriations, Capital Improvements**Paul Wagner Department of Elementary & Secondary Education****Department of Higher Education****Department of Revenue****Brent McGinty Department of Agriculture
Department of Natural Resources
Department of Conservation****Department of Economic Development
Department of Insurance
Department of Labor & Industrial Relations****Walt Fischer Department of Transportation****Department of Public Safety****Department of Corrections****Angie Giddings Department of Mental Health
Department of Health and Senior Services****Lora Nelson Department of Social Services****Marty Drewel Public Debt****Office of Administration****Elected Officials
Judiciary
Public Defender
General Assembly****Beverly Nilges Support Staff****Robin Butler Support Staff**

BUDGET PROCESS OVERVIEW

STATE OF MISSOURI

I. Department Budget Preparation

- A. State agencies prepare budget requests during summer and fall for the following fiscal year in accordance with guidelines issued by the Office of Administration's Division of Budget and Planning.
- B. Budget requests are submitted to OA-Budget and Planning by October 1. Copies are submitted to the legislature at the same time.

II. Governor Recommends Executive Budget

- A. After analysis by OA-Budget and Planning, the Executive Budget is published in mid-January.
- B. Governor gives State of the State and Budget Message to a Joint Session of the Legislature in the first few weeks of the legislative session in January.
- C. Appropriations Bills, the first twenty House Bills, are introduced by the Chairman of the House Budget Committee to reflect the Governor's recommended budget.

III. House Appropriations Committees Operating Budget Hearings

- A. After introduction, Appropriations Bills are referred to the House Budget Committee for assignment to the appropriate House Appropriations Committee.
- B. Each House Appropriations Committee (General Administration and Transportation, Education and Public Safety, Natural and Economic Resources, Health and Mental Health, and Social Services and Corrections) holds budget hearings in late January or early February for agencies to testify on their budget requests and the Governor's recommendations.

IV. House Action on Emergency and Supplemental Appropriations

- A. House Budget Committee conducts hearings on emergency and supplemental requests for the current year early in the session. Emergency and supplemental appropriations are for unforeseen changes in circumstance in the current fiscal year. The legislature takes action only on the requests recommended by the Governor.
- B. House Budget Committee "marks-up" emergency and supplemental appropriation bills and sends House Committee Substitutes to the full House for action.

V. House Appropriations Committee Operating Budget Recommendations

- A. House Appropriations Committees “mark-up” the operating budgets and staff prepares House Committee Substitute bills to reflect the committee recommendations.
- B. House Appropriations Committee Chairmen present recommendations to the House Budget Committee.

VI. House Budget Committee Acts on Operating Budget

- A. House Budget Committee either accepts House Appropriations Committee recommendations, alters the recommendations, or rejects the recommendations with instructions for the House Appropriations Committee to reconsider the proposed budget.
- B. House Committee Substitute Appropriations bills as approved by the House Budget Committee are sent to the full House or Representatives with a committee recommendation.

VII. House Floor Action on Operating Budget

- A. All appropriations bills for the operating budget are brought before the House of Representatives.
- B. House Committee Substitute (or House Substitute) bills as perfected by amendment and floor vote are sent to the Senate, usually with one-third of the session remaining.

VIII. House Action on Capital Budget

- A. House Budget Committee conducts hearing and “marks-up” capital budget for recommended House Committee Substitute Bills. The capital budget uses a biennial appropriations process for major, multiyear projects. During the second year of the biennium, funding is provided for critical projects not envisioned at the time of the adoption of the biennial budget.
- B. Full House passes House Committee Substitute (or House Substitute) bills and sends to the Senate.

IX. Senate Appropriations Committee Operating Budget Hearings

- A. Senate Appropriations Committee conducts budget hearings and reviews in late January.
- B. Senate Appropriations Committee “marks-up” operating budget, prepares recommendations, and staff prepares summaries of action for presentation to the full Senate.

X. Senate Appropriations Committee Action

- A. Senate Appropriations Committee conducts hearings and “marks-up” emergency and supplemental appropriations to prepare Senate Committee Substitute for House Committee Substitute appropriations bill on emergency and supplementals.
- B. Senate Appropriations Committee conducts hearings and “marks-up” capital budget for Senate Committee Substitute bills.

XI. Senate Action on Appropriations

- A. Full Senate either adopts Senate Committee Substitutes, amends Senate Committee Substitutes, or adopts Senate Substitute bills for appropriations on emergency and supplemental, operating, and capital budgets.
- B. The Senate returns the appropriation bills to the House of Representatives for acceptance or for the House to make a request for conference to settle differences.

XII. Conference Committee(s) on Appropriations

- A. Conference Committees, consisting of five (5) members from the House of Representatives and five (5) members from the Senate, meet to achieve compromises, settle differences and adopt Conference Committee Substitute appropriations bills.
- B. Conference Committee bills are then returned to the full House and Senate to be Truly Agreed to and Finally Passed.

XIII. Governor’s Line-Item Veto

- A. Truly Agreed To and Finally Passed appropriations bills are sent to the Governor for signature.
- B. Governor either signs an appropriations bill, vetoes entire bill, or line-item vetoes part or all of sections or lines in the bill. Appropriations for payment of principal and interest on public debt and appropriations for free public schools cannot be vetoed under the Missouri Constitution. The Governor must act before July 1 and on that date the appropriated moneys may be expended.

XIV. Governor's Control Over Expenditure Rates

- A. Governor controls the rate of expenditure against appropriations through the allotment process.
- B. An initial reserve plan is the statutorily required 3% withholding on appropriations to be expended upon approval of the Governor.
- C. Governor may further withhold funds to reduce expenditures below appropriations whenever actual revenues are less than estimates on which the appropriations are based.

XV. Legislative Override of Governor's Veto

- A. Legislature may override Governor's veto of bill or line-item by a two thirds majority in both the House and Senate during the following legislative veto session held in September.
- B. Process begins again.

Calendar of Floor Action on FY 2003 Appropriation Bills

91st First General Assembly, 2nd Regular Session

January	9 First General Assembly, First Regular Session begins
	23 State of the State Address – Executive Budget presented
	31 House Introduced/Read First Time - HB 1115
February	4 House Introduced/Read First Time – HBs 1101; 1106; 1111
	5 House Introduced/Read First Time – HBs 1107; 1109; 1110
	6 House Introduced/Read First Time – HB 1105
	7 House Introduced/Read First Time – HB 1104
	11 House Introduced/Read First Time – HB 1102; 1103; 1108; 1112; 1120
March	13 House Third Read & Passed HB 1115
	13 Senate Introduced/Read First Time – HB 1115
	21-2 March 21 - April 2 - Spring Break
April	4 House Third Read & Passed HBs 1101 - 1109
	5 House Third Read & Passed HBs 1110 - 1112
	5 Senate Introduced/Read First Time HBs 1101 - 1112
	17 House Introduced/Read First Time HB 1121
	24 Senate Third Read & Passed HB 1101
	25 Senate Third Read & Passed HBs 1102 - 1112
	29 Senate Conferees Appointed HBs 1101 - 1112
	29 House Conferees Appointed HBs 1101 - 1102
	30 Senate Introduced/Read First Time SB 1281 (Supplemental)
May	1 House Conferees Appointed HBs 1103 - 1104
	2 House Conferees Appointed HBs 1105; 1106; 1107; 1108
	6 House Conferees Appointed HBs 1109; 1110; 1111; 1112
	7 Senate Third Read and Passed SB 1281 (Supplemental)
	7 House Introduced/First Read SB 1281 (Supplemental)
	9 House Defeated Passage of SB 1281 (Supplemental)
	10 House/Senate Floor Action – TAFP House Bills 1101 - 1112
	17 91 st First General Assembly, First Regular Session ends (6:00 p.m.)
	30 Adjournment per Constitution
June	26 Governor Holden signs Appropriations Bills